

FAR EASTERN ECONOMIC REVIEW

Vol. XXII

Hongkong, June 13, 1957

No. 24

The Central Structure of Economic Planning in Communist China .. 737	Paper Money in Modern China (Part V) 750	Philippines Economic Letter from Manila 757
Communist Trade Offensive in the Far East 742	China Peking's Trouble with Soldiers and Students 753	Hongkong HK Company Meetings 758
Construction of Railways in China 747	Agricultural Reorientation in China 754	Finance & Commerce Hongkong Exchange Markets and Hongkong Share Market 760
Some Random Reflections on the Science of Oceanography and Hongkong in this Geophysical Year of 1957 748	Reports from China 755	Trade Developments in May and Commodity Prices on May 31, 1957 762
	Taiwan Taiwan's Population Growth 756	

THE CENTRAL STRUCTURE OF ECONOMIC PLANNING IN COMMUNIST CHINA

I. CONTROL ORGANS

By Professor E. Stuart Kirby

The Chinese Communist Government is practically a one-party dictatorship in which all power resides in the Chinese Communist Party. The top leaders of the Party, notably Mao Tse-tung (毛澤東), Liu Shao-chi (劉少奇) and Chou En-lai (周恩來), in the Central Committee of the Chinese Communist Party (中共中央), exercise "joint leadership" of the government. Party and Government are actually one body in nature, although there is a theoretical distinction between them. Their relation is an internal, essential and vital one, for the party is the heart which gives life and impulse to the whole organism.

The formal structure of the state is highly organised. It has 41 Ministries, 7 Commissions, and 22 Bureaus. This recalls entirely the system in the U.S.S.R. as it has been up till now. Soviet Russia has however just recently—following a full declaration by Khrushchev, which may prove to be epoch-making—embarked on the opposite course, that of decentralisation. The extreme centralisation in Moscow is to cease, the vast and numerous metropolitan Ministries are to be reduced in number and size, and a great part of planning, control and administration in Russia is to be decentralised into the provinces. This follows the significant pressures and rebellions in the Communist countries of Eastern

Europe over the past year, which had previously forced the same kind of decentralisation there.

At the moment of writing, it is not clear how far or how quickly such a process can go in Russia itself. Khrushchev has been unable to secure the full implementation of the degree and type of decentralisation projected in his speech: for example, eight of the great Ministries in the capital are, it has been stated, not to be "liquidated" or devolved. Meanwhile, the same kind of basic organisational decentralisation has not yet been mooted in China. But surely, it must be impending? The same pressures towards it are certainly present and developing, in the case of China, as in the rest of the Communist Bloc. Communist mental gymnastics and political volte-faces are extraordinarily rapid these days; by the time these lines are printed, China may already have followed this change in the international line.

Meanwhile, it is in any case timely to consider the structure of Communist planning-organisation in China as it is now, as the basis out of which any such impending change must proceed.

The reality of power is in the hands of the Central Committee of the Party, which is itself swayed by its own policy-making organ, the Politbureau

(政治局); and its executive organ is the Secretariat (書記處). Thus, in all departments of state all decisions on important questions are made on the proposal of, and according to the directives of the Party. Members of the Politbureau (PB) of the Central Committee of the Chinese Communist Party (CCCCP), like Ch'en Yun (陳雲), Li Fu-ch'un (李富春), Li Hsien-nien (李先念) and Po I-p'o (薄一波), hold the prominent positions in dealing with financial and economic affairs in the State Council. In theory, the Party keeps discreetly in the background, though in practice it leads the socialist construction and works out the Five Year plan, faithfully following the Soviet Russian pattern. According to the Party constitution, the Politbureau is the organ which directs policy, while the Secretariat is in charge of day to day work. Chairman Mao Tse-tung of the Central Committee of the Chinese Communist Party was ex-officio Chairman of both the Politbureau and the Secretariat, but in the autumn of 1956, Teng Hsiao-p'ing was made Chairman of the Secretariat.

The Politbureau has a Standing Committee with Mao Tse-tung as Chairman, and 16 members (including Liu Shao-chi, Chou En-lai, Chu Teh, Ch'en Yun, Teng Hsiao-p'ing, Li Fu-chun, Li Hsien-nien and others) and 6 "candidate members" (including Ulanfu and Po I-p'o). The Secretariat consists of Chairman Mao Tse-tung and 4 members—Liu Shao-chi, Chu Teh, Ch'en Yun and Chou En-lai.

The present article deals especially with the organisation of the State Council of the present government of Mainland China. What is mainly involved is the development of the following five bodies: (1) the State Planning Commission (SPC), (2) the National Construction Commission (NCC), (3) the National Economic Commission (NEC), (4) the National Technological Commission (NTC), and (5) the General Supply Bureau (GSB).

Prior to 1952, China's economic plans were drawn up by the Planning Board (PB) attached to the Committee for Financial and Economic Affairs (CFEA) (財經委員會), the Chairman of which was Ch'en Yun.

But in November 1952, immediately after the announcement that the First Five Year Plan would be introduced, a new body called the State Planning Committee (SPC), headed by Kao Kang (高崗), was established. In 1954, however, when the cabinet was reorganised under the Constitution, this body was reorganised and placed under the State Council, with Li Fu-chun as the new Chairman of the State Planning Commission.

The National Construction Commission (NCC) was set up in the same year, 1954, for carrying out the capital construction work scheduled in the First Five Year Plan, with Po I-p'o as its Chairman.

Two government organs are said to be especially important in coordinating with the SPC to carry

out the planning work. The State Statistical Bureau of the State Council (國家統計局) is the one which chiefly serves the SPC, by supplying the statistics and formulating the material for planning. Hsueh Mu-chiao (薛暮橋), Vice Chairman of the SPC, was named as concurrently the director of the State Statistical Bureau, in 1954. The major work of this Bureau is of course to control the figures from the basic level units of state industrial enterprise to the upper levels, being the source for all data, and announcing whether the plan is fulfilled or not.

Second comes the Ministry of Supervision under Chien Ying (錢瑛). It deals with the inspection of the carrying out of the plan at all levels, and checks any deliberate falsification of figures or deterioration of products, such as is commonly resorted to by all kinds of enterprises in order to show on the books that they have fulfilled their targets. Supervision Section, at Ministry, bureau and enterprise levels were set up by the end of 1954, to check on everything else, from the accountancy to the quality of the products, and to look after industrial management problems. In a speech delivered by Minister Chien at the party congress in September 1956, it was disclosed that bureaucracy was a serious and prevalent defect, which affected the efficiency of planning and the executive machinery at all government levels.

The State Planning Commission (SPC) (國家計劃委員會) has thus held a pivotal position. Since 1954, being an integral part of the Cabinet, it is known as a Commission, rather than a Committee. Its development has been as follows.

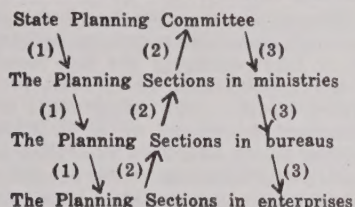
(1) From Committee to Commission

The first step in its evolution was as follows. In the latter part of 1952, after the success of many important economic reforms in China had been proclaimed, it was announced that almost every cell in the economic structure of the whole country was under control of the state and an overall Five Year Plan was necessary for the industrialization of the country and the transformation of the economy into a socialist one. For this purpose, Kao Kang, one of the six Vice-Chairmen of the Chinese People's Government, and Governor of Manchuria, who then played a large part in Communist policy, was made Chairman of the State Planning Committee of the Central Government, which was set up on November 15, 1952.⁽¹⁾

This Committee was not part of, nor subject to, the cabinet; like the cabinet itself it was subject only to the Central People's Government Council. It was to take charge of planning in general, and to supervise the execution of the overall plan. It was a new administrative organ, for implementing the Five Year Plan. Ch'en Yun, Li Fu-chun and Po I-p'o were considered to be the most powerful personalities of the regime, so far as economic affairs were concerned.

The planning structure remained obscure in the year 1953; but later, for ensuring the passage of accurate information up to the planning authorities, planning sections were set up at all levels—in each enterprise, Bureau and Ministry—and a regular channel for passing information from the basic level units up to the planning level was established(2). Its planning structure could roughly be shown as follows:—

Fig. 1. Planning structure, 1953-1954



On the above diagram the downward arrows (1) show the routing of the demands for information from each level down to the next; and the upward arrows (2) show the passage of reports from one level up to the next. Finally, the plan is made and the control figures are passed down to the enterprise as the final target of the plan, as shown by the downward arrows on the right (marked 3).

From September 1954, after the reorganization of the whole structure of Government under the new Constitution, the State Planning Committee lost its independent position, it was absorbed into the Cabinet, under the name of the State Planning Commission. Li Fu-ch'un became its new head(3). By that time, however, Kao Kang (former head of the State Planning Committee) had been expelled from the Party for his "anti-Party conspiratorial activities" and his "crime of considering Manchuria as his own personal capital and independent kingdom", and it was announced that at some previous date (unspecified) he had "cheated proletarian justice" by committing suicide.

Li Fu-ch'un is an old party member, actively concerned with economic and planning work, together with Ch'en Yun and Po I-p'o for both party and government. Starting his career as a member of the Committee for Financial and Economic Affairs (CFEA) and concurrently Vice-Chairman of the Northeast China People's Government Council in 1949, Li Fu-ch'un became Vice-Chairman of the CFEA, a member of the Government Administration Council and Minister of Heavy Industry in 1951. He was a member of the State Planning Committee in 1952 and became its Vice-Chairman in 1953(4). With the reorganization of the government under the new Constitution in 1954, he was promoted to be a Vice-

Premier and nominated to succeed Kao Kang as Chairman of the State Planning Commission.

Li Fu-ch'un has specialized in economic planning and had much to do with the negotiations for Soviet assistance in the construction of "156 major projects" in China. The report on the First Five Year Plan (1953-1957) appeared on July 8th, 1955, under Li Fu-ch'un's name was largely made by him; it is clearly a Russian-engineered and Russian-aid plan. The so-called SPC by that time was a Chinese Government organ closely imitating the model of the Soviet "Gosplan" or State Planning Commission of the U.S.S.R.

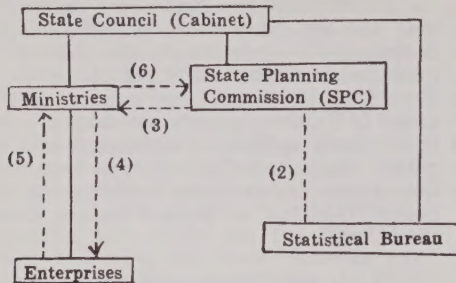
(2) Reorganisation in 1956

Early in 1956, Li Fu-ch'un spoke of the vicissitudes of the planned economy, arising from the upsurge of socialist transformation and the development of industrial and agricultural production. The SPC was at that time concerned not only with long-range planning, but also with the elaboration of the yearly plan, and with a number of day-to-day problems. These multitudinous labours interfered seriously with the carrying out of any systematic or national survey. Therefore, on May 12, 1956, a new Government Commission, the National Economic Commission (NEC) of the State Council, was set up to share the work of the SPC(5). Whereafter, the SPC became free to keep its attention focussed on long-range projects; it also collaborated with the NEC, the NEC henceforward figuring as the short-term planning organ, while both NEC and SPC work together on "important national norms", subject to the approval of the Cabinet. The planning system was said to be decentralized. On Li Fu-ch'un's proposal, a system of "triple norm for national planning" was adopted. There would or could be (a) an absolute norm to be approved by the Cabinet, (b) a relative norm to be elastic within the limits of the absolute norm, and (c) a consultative norm, without binding force.(6)

In May 1956, there was a change in the State Council, proclaimed as being for the purpose of keeping pace with the drive to socialize industry and agriculture at a very rapid rate. At that time Po I-p'o became the head of the National Economic Commission and Huang Ching (黄敬) the head of the National Technological Commission, while Weng Ho-shou (王鹤寿) succeeded Po I-p'o as the head of the National Construction Commission.

According to the announcement, the General Supply Bureau of the State Council was also established in May 1956, for taking care of the supply of both building materials for construction and raw materials for production; but the appointment of Han Che-yi (韩哲一) as its director was not made till November 1956. The following diagrams show the evolution of the planning system.

Fig. II. The Central Planning Structure in Communist China, 1954-56



The solid (unbroken) lines show the administrative structure (of subordination, from the top downwards). The broken lines show the flow of information, (up, across, down and back): i.e. (1) the SB gathers information from all the units concerned, (2) the data thus collected are made available to the SPC, which (3) issues corresponding directives to the Ministries concerned, which (4) pass them down to the enterprises directly under them, which (5) route them back to the Ministries, which (6) go again to the SPC, where the finalization of the plans lies.

The above Fig. II is a highly simplified schematic representation. It omits, also, the local government participation. Yet it already looks bureaucratic and cumbersome enough, with its continuous six-stage two-way passing of information and drafts between the organisations and levels. To visualize the full scale in real life, one must extend and repeat Fig. II many times, for there are no less than forty-one Ministries, twenty-two central bureaus, and seven Commissions, each of which categories is represented in Fig. II above by only one rectangle ("Ministries", "SPC" and "bureaus" respectively); and there are of course, in the lower level, hundreds and thousands of local bureaus and enterprises (the latter term being used to indicate the individual manufacturing and business units).

Then came the reorganisation in 1956. It was proclaimed in May 1956—just about a year ago—but apparently some five or six months were required to work out or establish the corresponding structure completely. Just at that time, the internal pressures in the rest of the Communist Bloc, forcing a reversal of the extreme centralisation of control, and going far to break up the foundations of contemporary Communism, were already mounting. Communist China was at that time congratulating itself on its eminent position. In industrialization and economic affairs, we are given to understand, the Soviet Union was still Elder Brother; but as far as ideological aspects were concerned, the theory of Communism and its application to new

situations, China was supposed to have come into effective leadership.

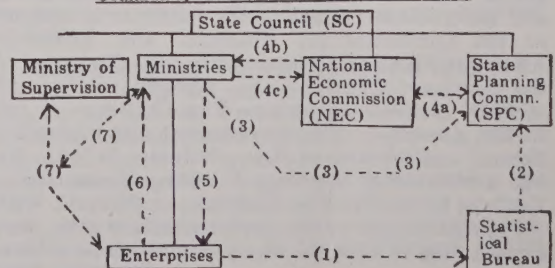
In the real and basic matter of economic planning, however, Communist China was in fact "out on a limb". The course of the other major Communist States was already turning on the other tack, towards decentralisation; just as China, with much bombast, sailed ahead to establish a very fine and imposing new central Planning Structure, on the lines which prevailed in the U.S.S.R. a few years ago, and which Khrushchev is working to demolish.

The Chinese Communists had subsequently to "eat bitterness", like their comrades in East Europe, in respect of acknowledging the dire results of the policy of disproportionate investment in heavy industry; every effort is now being made to promote a more reasonable amount of light industrial development, and the Second Five Year Plan of China is being recast in that direction. (See preceding articles in FAR EASTERN ECONOMIC REVIEW, March 1957 et seq.). A tremendous campaign is also being waged in China against Bureaucracy—the most crushingly obvious of the defects of the large centralized system—though so far the numbers of employees have not actually diminished, and the campaign is largely on the plane of "stunts", such as putting white-haired old generals and office managers out in the fields to dig turnips.

Most of these measures attack the symptoms or effects, rather than the cause—which is the centralized planning system. The latter must also come under attack soon in China—following the "rectification" already made in that respect in the other Communist countries. Unfortunately, Red China has only just evolved and established that very centralized planning mechanism which is now collapsing or being abandoned by other Communist regimes, and a complete change in its basic economic organisation at this juncture will impose a great strain on China.

If the 1954-56 set-up, shown in Fig. II above, appeared bureaucratic, the new structure (after September 1956) appears very much more so. We shall have to have a much more complicated diagram Fig. III below—to illustrate it, even in outline.

Fig. III. The Central Planning Structure in Communist China after September, 1956



As before, only the main lines are shown here. And the chart only roughly illustrates the structure. Local government organs are not dealt with in the present article, and are not in the above Figures. The solid lines show the subordinate organisational connections, the broken lines the successive flows of information. We ought also to make room somehow in the diagram for the important Ministry of Technology; but, its task being broadly supervision of technical matters, we may envisage it as parallel with the Ministry of Supervision.

The flow lines in Fig. III, the workings of the planning procedure, require further explanation: the following is the key to the numbering.

(1) The SB initially receives preliminary information from all sources. (2) The SPC formulates long-range plans on the basis of information supplied by the SB, and (3) issues broad control figures to the Ministries as well as (4a) to the NEC.

The NEC then (4b) issues control figures for *annual* plans to the Ministries, which in turn (5) pass instructions down to their subordinate enterprises, reports on which are routed back (6).

(7) The Ministry of Supervision has close contact (annual, monthly, in some cases even daily) with the Ministries and their enterprises.

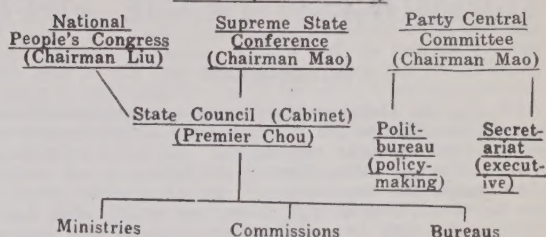
The efficiency of the SPC is evidently doubtful, according to the information given by Chinese Communist official sources. From Li Fu-ch'un's report on "State Planning" at the Party Congress on September 24, 1956, it was clear enough that the SPC failed in its work in the past, failed in making thorough investigations and studies, and failed in understanding the economic features of the various areas and departments. Li Fu-ch'un on that occasion said: "Plans were slow and often subject to change. There was a lack of deep understanding of the features of specific localities, their needs and the conditions of their economic development. There arose therefore the mistakes of subjectivism and bureaucracy" (7).

From Li Fu-ch'un's statement on the defective planning machinery, it is obvious that blunders and mistakes have been made in the past. Clearly, at present in China, the economic situation is worse than before and the planning machinery has become more confused.

Communist Party Control and the Planning Process

All this must of course be understood on the wider background of full control by the Party. There is a Communist Party organisation in every single unit, at all levels throughout. Fig. IV below shows the place of the economic planning structure (that which was charted in Fig. III above) within the general structure of policy-decisions.

Fig. IV. The Structure of Communist Party Control (as from 1954)



The planning process, within this general framework of control, may be summarised as follows:

(A) Formation of the plan

1. Policy changes, plan proposals, etc. originate in the Politbureau (PB),
2. The main lines of the plan go from the PB through the Central Committee to the SC (the Cabinet),
3. The SC passes this to the SPC for elaboration and modification,
4. The SPC, after thus checking, returns it to the SC,
5. The SC puts it to the National People's Congress, which adopts the Plan. The Plan is then *de jure* in existence and in force.

(B) Execution of the plan

6. The *Party Secretariat* sees to the execution of the plan (by the detailed procedure shown in Fig. III) through its Party organisations, at all levels, in Ministries, Bureaus and enterprises, and in all other aspects of public and social activity.

Such is the complicated structure, the gigantic bureaucratism, only recently fully evolved, which may now have to be drastically modified.

NOTES

- (1) Economic Planning in Communist China, by R. Hsia, p. 17, and China News Analysis No. 80 April 22, 1955.
- (2) "Contemporary China", Hongkong University Press, Vol. I p. 96 1955.
- (3) "Free China" by Chu Chang-wei, Vol. 15 No. 4.
- (4) "Who's who in Communist China" by Chang Da Chung; and Biographical service, Union Research Service No. 18 August 31, 1956.
- (5) NCNA, Peking, May 12, 1956.
- (6) China News Analysis, No. 154, 26/10/56.
- (7) NCNA, Peking, September 24, 1956.

COMMUNIST TRADE OFFENSIVE IN THE FAR EAST

INTRODUCTION

During the past two years commercial representatives from Eastern Europe and Communist China have become a common sight in Asian capitals, and one Asian delegation after another has visited Moscow and Peking to talk trade. It has looked like good business: the Communists offer to buy Asia's surpluses at high prices, and supply what Asia needs on favorable terms. Some governments have looked toward the Communist bloc for a solution to their economic problems; in other countries, the initiative has come from private businessmen eager for extra profits. But business with the Soviet bloc is not as good as it looks. Communist estimates of trade possibilities are inclined to be inflated and unrealistic. Much of the bloc's trade with the non-Communist world is carried on for political reasons, which adds new dangers of political pressure and new economic uncertainties. And some countries—notably Burma—which have carried on large-scale trade with the Soviet bloc for several years have found that it is not good business at all.

The volume of Communist trade with free Asia is often exaggerated. The Republic of Korea, the Republic of Vietnam and the Philippines have no direct trade with the Communists although the latter two countries have imported some Chinese Communist products at least indirectly through Hongkong. Burma and Ceylon have been the only two countries covered by this study which have carried on a larger percentage of their trade with the Soviet bloc. Indonesian and Japanese trade with the bloc has not been large, and Thailand and Malaya have bought Communist goods in quantity only during the past eighteen months. But the Communists are devoting more propaganda effort to their trade campaign and, more importantly, they are now willing to ship more goods outside the bloc.

The period up to 1956 seems to have been a preliminary phase; the trend is now toward increased trade with the Soviet bloc. In late September, 1956—Indonesia signed its first trade agreement with the USSR and accepted a \$100 million loan, a Ceylonese mission has visited Moscow and Peking to discuss trade and diplomatic questions, a new Sino-Japanese trade agreement is to be negotiated in the near future, Thailand is moving toward more trade with Communist China, a delegation from Singapore and Malaya has spent several weeks talking trade in Peking, and Cambodia is beginning to implement its new trade and aid agreement with Communist China. More and more items are being shipped to China through the exceptions procedure under the United Nations embargo.

However the past two or three years have given experience with Soviet bloc trade to a large number of Asians, and often they have been disappointed. This seems an appropriate time to describe this experience and answer a few pertinent questions. (1) How has trade with the Communists worked out? (2) Does the Soviet bloc trade with Southeast Asia and Japan make economic sense? And (3) what political motives are involved?

COMMUNIST TRADE PRACTICES

Trade with the Communists is inclined to be bad business because the Communists are often inefficient, slow-moving businessmen who act clumsily in the unfamiliar circumstances of free non-Communist markets. Although trade is often begun for political reasons, once it gets under way

the Communists seem eager to cut their losses as much as they can. Peking appears to be the most businesslike trader in the bloc—partly because it can draw on the experience and judgement of local Overseas traders. Among the European Communist countries, the Czechs have been the best and the Soviets the worst. This is an interesting point in view of the present tendency for the USSR to supplant the satellites in the bloc's trade with Southeast Asia. The practical difficulties of trade with the Soviet bloc are described in detail in the sections on each country, but the principal ones are listed below:

Disadvantages of Barter Trade: On May 30, 1956, U Nu, then Prime Minister of Burma, said that "A man who takes barter when he can get cash must be out of his mind." This is a sound principle; barter trade is rarely satisfactory. It is not unique to the Soviet bloc. Israel, Japan, and a number of other non-Communist countries have made barter agreements with Asian nations. Most trade with the Soviet bloc, however, is on a barter basis; one must take it or leave it. Barter can be carried on relatively smoothly when one stipulated product is exchanged for another, as in the Peking-Ceylon rice-rubber deal, but even in this case there have been disagreements over prices and Peking has settled its debts slowly. It is much worse when, as in the case of Burma, a non-Communist country exporting a single product wishes to buy hundreds of different items from a Communist supplier. When the Burmese purchasing mission went to Moscow it found that, if a product Burma wanted was not available or the price too high, it simply had to move on to the next item.

Pricing: Disagreements about prices are likely to arise in any barter deal, but those who trade with the Soviet bloc are at an additional disadvantage because they know very little about the Communists' real costs and profit margins. The Communists vary their price policy to suit their motives. In many cases, particularly when they are eager to make a political impression or enter a new market, prices are very low: for instance, cheap Chinese rice and cement for sale in Malaya. Often the Communist price is pegged just below that of the lowest-priced competitor. On the other hand, the Chinese have bargained closely with the Japanese and Ceylonese. Indonesian officials have complained of high Communist prices, and the Burmese estimate that they have paid at least ten to twenty percent more for Communist goods than they would have paid for non-Communist goods. Burmese businessmen also complained that Chinese suppliers often raised prices ten to fifteen percent after terms had been worked out and Burmese import licenses had been issued. China has a near-monopoly on the supply of pigs and poultry to Hongkong, and on several occasions the Communists have withheld shipments until prices rose, then sold to gain extra profits.

Certain special features of barter trade with the Communist bloc are worth noting:

The Big Promise: At the outset Moscow and Peking speak enthusiastically about the vast possibilities of trade; Asian businessmen are given assurances of profitable deals in the future and encouraged to agitate for more trade; finally, trade agreements are made.

The Procession of People's Democracies often plays a part. Delegations from each of the East European satellites arrive at intervals of one or two months. Each tours the country in a blaze of propaganda and publicity, climaxed by the signing of a new agreement.

Unfulfilled agreements have, however, often been the result. Agreements are simply indications of intent to exchange certain goods, with some means of settling accounts and a suggested figure for trade in each direction. This figure is often never reached, even after extension of the agreements. Even in 1956, when the Communists have intensified their campaign for more trade, Burma's barter agreements are still only partly fulfilled. But customs returns receive less publicity than the signing of trade agreements.

Fake Shipments: Communist authorities in Eastern Europe tell the press that they are shipping locomotives, oil drills, or other spectacular machinery to an Asian country, the Asian press prints the reports. Actually the machinery was never ordered and the shipment never took place, but no one checks up.

The Communists have been unsatisfactory trading partners for many other reasons:

Poor Quality Goods and Unfamiliar Specifications: Many Communist exports have been of adequate quality, especially when prices are taken into consideration. But in Burma, Thailand and Malaya, the goods have often been either substandard or unusable. Many other products—plumbing, electrical equipment, building materials, etc.—have not suited local specifications.

Spare Parts: Supply of spare parts has been uncertain and erratic for Soviet machinery and for Chinese sewing machines and other light manufactures.

Bureaucratic Trade: The Communists trade through government monopoly corporations; usually each is responsible for a group of products. The Communists prefer to trade through these corporations, their ministries of trade, or overseas trade missions. Private foreign firms, particularly small ones, are at a disadvantage. Sales services have been unsatisfactory; in some countries the Communists have not been willing to appoint local businessmen as agents and in others the agents have been forced to sell fixed quotas. Trade inquiries to Moscow are not answered for three to six weeks.

Slow Deliveries: There have been delays of many months before the Communists load their goods, and deliveries are further delayed by the lack of shipping space between Eastern Europe and Asia. Many of the shipments must be transferred in West European ports, causing delay and breakage. The Chinese have also often been unreliable suppliers.

Special Chinese Trade Practices: At first China carried on its trade under a letter of guaranty system: traders exporting to Peking were not paid until the goods arrived and were carefully checked, sometimes against excessively strict specifications, by the Chinese inspectors. Importers faced similar difficulties. Now, however, Peking appears to be changing to the standard letter of credit system.

Lack of Multilateral Clearance Arrangement in the Soviet Bloc: Although at first a non-Communist country which had built up a credit with one Communist country could not transfer it to another, this began to change in 1956 when Moscow arranged for "convertibility of currency" whereby credits built up by Burma could be used in another Soviet satellite capable of supplying the product.

Resale: Raw materials which Asian countries have sold to the Communist bloc have often been resold on the world market—occasionally at lower prices, and to a country which could have been a customer for the original producer. There have been complaints of this in Indonesia. Japanese steel products have been resold by China in Southeast Asia, and Burmese rice has been resold to Ceylon, and possibly to Malaya, India and Pakistan.

THE TRADE POTENTIAL OF THE SOVIET BLOC

The trade potential of the Soviet bloc is not as large as it looks. The Communists are still cautious about diverting much of their production to trade with the free world. The red area on the map is very large, but the Soviet bloc's ability to trade with the rest of the world is not proportional. The bloc includes nearly a billion people; despite rapid development of productive capacity, there are still not enough goods to go around. A large part of industrial effort is devoted to arms production and the construction of more industry within the bloc. The Communist leaders are finding it more difficult to force their peoples to remain at the present low levels of consumption. All this restricts the bloc's ability to export.

Nevertheless the policy of bloc self-sufficiency is a more important limitation. Moscow has made its empire self-sufficient, for strategic reasons, and inter-dependent, for political ones. Before the Communists took over, China's trade with Soviet Russia and Eastern Europe was unimportant, but now over 80 percent of its trade is with these countries. Technical assistance, trade, and economic development agreements have institutionalized this change. It is highly unlikely that the Communists will willingly become dependent on sources of supply not under their political control. So the Asian supplier must face the potential competition of a protected alternative supplier within the bloc. It must be admitted that Soviet bloc productive capacity is sufficiently large and control over domestic consumption so strong that considerable trade with free Asia is possible if the Communists chose to do so—but it should be realized that this is to a great extent a matter of choice, not need.

ECONOMIC BASIS FOR FAR EASTERN TRADE WITH THE SOVIET BLOC

Soviet bloc trade with Southeast Asia and Japan can be divided into three distinct parts: Russian and East European trade with Southeast Asia, Chinese trade with Southeast Asia, and Sino-Japanese trade. The economic basis of the first is immediately suspect because it depends upon the export of Soviet and East European manufactures. Both machinery and consumer goods are in short supply within the bloc, and export can be justified economically only if the Communist countries receive in exchange goods they really need. Malaya and Indonesia want to sell rubber and tin, Burma and Thailand want to sell rice, and Ceylon wants to sell rubber, tea, and coconut products. These Asian countries can sell other products, but large-scale trade would depend upon sales of their principal exports. The USSR and Eastern Europe need Southeast Asian rubber and some minerals, but demand for other Asian exports, including rice, is marginal. Their demand for rubber is not likely to increase very much, for the USSR already buys what it needs in the London market. The satellites' rubber requirements, it is believed, are met in part by Peking's heavy purchases in the Southeast Asian area. This does not mean that trade cannot be increased, but it suggests that any large increase would be for political reasons.

China's trade with Southeast Asia seems more logical, but here again the economic basis for trade is more limited than it would appear. Peking needs Southeast Asian rubber, petroleum, coconut products, and a few other goods. In exchange it can export prepared mainland foods and medicines and special agricultural products such as wood oil. The Chinese are also shipping two exports which can have a serious effect on the Asian market as a whole: rice and manufactured goods. These two exports compete with

Burma and Thailand on the one hand and Japan on the other.

China is a very uncertain factor in the Asian rice market. Before the Communists took over, China was a net importer of grain, but now China has become a net exporter, principally to the USSR. When political gains—and, occasionally, economic reasons—justify it, Peking also exports rice to other rice producing Asian countries: Ceylon, Japan, Pakistan, India and Malaya. The Chinese have also bought rice from Asia's traditional exporters—to counteract the economic and political effect of their own exports, and perhaps in order to meet local shortages along the China coast or in North Vietnam. The Communists may also continue to buy foreign rice in order to meet their own export commitments, as they did when they bought Burmese rice for delivery to Ceylon.

Since 1954 the Chinese have exported to Southeast Asia increasing quantities of textiles, consumer goods, cement, some steel products, light manufactures, a few spinning machines and other capital goods. They found a ready market because prices were usually low and Overseas Chinese merchants bought goods from the mainland as a matter of pride. These exports have been possible only through severe limitation of domestic consumption. They have been exported in order to create useful propaganda, make a favorable political impression, earn foreign exchange, and broaden the possibilities of trade with Southeast Asia. Chinese exports have already had some adverse effect on Japanese sales in Southeast Asia, and the Japanese may suffer more if the Chinese export drive continues at its present rate.

The export of manufactures has added to Peking's trade imbalance with the rest of Asia. Since the Communist takeover of the mainland, their exports to Southeast Asia have been much greater than their imports from the area. Some expect that this imbalance will end when China imports Southeast Asian goods such as rubber which have been on the embargo list. But it must be remembered that Peking has been securing all or most of its rubber requirements from Ceylon, and its imports from the region as a whole are not likely to increase significantly.

Peking's appeals for increased trade with Japan have a much better economic basis. The former would like to import Japanese chemicals, metal products, machinery, and other manufactures. But its demand is not likely to be as great as the Communists claim. Peking is deeply obligated to ship materials to the Soviet Union to pay for its industrial imports; hence Moscow has concluded a series of agreements with Peking to supply machinery, industrial plants, and technical advice. The most recent agreement was made only last April. The Soviets will supply most of China's equipment requirements for at least the next ten years. In China, as elsewhere, the Japanese must compete with West European manufactures, many of which are offered at lower prices.

Japan is even more interested in buying from China the raw materials which are now shipped great distances—at great cost—from South Asia and America. Prices are the key. The Japanese hope to secure iron ore, salt, coal, soybeans and rice more cheaply; this would lower costs of Japanese industrial products and permit them to compete more effectively. The exchange of Chinese raw materials for Japanese manufactures is economically one of the soundest aspects of trade between free Asia and the Soviet bloc, but several important questions are still not settled: Can China supply raw materials to Japan in the quantities the latter needs? Is it willing to quote sufficiently low prices? Peking-Tokyo trade during the past two years has not demonstrated that the Chinese will meet these requirements.

COMMUNIST POLITICAL MOTIVES FOR TRADE AND THEIR EFFECTS

Communist and non-Communist trade representatives do not negotiate about the same thing. The non-Communist is interested in his own and his country's economic benefit, but the Communist has political as well as economic interests—and often it is difficult to discover which is the decisive motives. Although there are economic justifications for some aspects of Soviet bloc trade with Southeast Asia and Japan, political motives play an extremely important part. Many Asians realize this and accept it. They argue that all foreign trade is uncertain and often restricted on purely political grounds. If Moscow and the Chinese are willing to trade with Asia in order to gain prestige, why not make the most of it? If the Chinese are willing to sell cheap consumers' goods in order to give the impression that China is prosperous, then Southeast Asia benefits because it can buy textiles and flashlight batteries at lower prices—so the arguments go.

It is true that the international market has many uncertainties, but most are caused by economic facts. The trader can usually determine them and act accordingly. He is in an entirely different position when he buys from someone who cannot easily afford to sell and sells to someone who doesn't need to buy. The political trader may suddenly direct his business to another country where the political gain would be greater, or there may be an abrupt decision when it is discovered that the political gains do not offset the economic losses. These added uncertainties make long-term planning even more difficult. In Ceylon, for instance, the Chinese paid their debts to one government after stalling its more conservative predecessor.

The Communists are not only interested in making a good impression; it must be remembered that they are also attempting to increase their political influence. If a large part of a country's trade is committed to the Soviet bloc, the Communists can apply political pressure—as they did when Tito broke with Moscow. As in the case of Egypt, China has also attempted to use trade relations as a prelude to diplomatic recognition—by Japan, for instance. The Communists also seek additional opportunities for espionage and subversion. Communist trade representatives or technicians have sometimes meddled in local affairs; Communist diplomats in Asia have done so on a number of occasions. Communist funds have been used to influence the political loyalties of Overseas Chinese in Burma and Malaya, and profits from the sale of Chinese goods in Thailand are used to support local Communist activity.

It is important to note also how Peking has consistently and cleverly played one non-Communist trading nation against another, inducing them to compete for a mainland China market which may prove to be rather meager. The effect, for example, of playing Japan against Britain is to stimulate the eagerness of conservative, otherwise anti-Communist, business groups in these countries to pressure their own governments to seek a political rapprochement with Peking with the purpose of obtaining a toehold in the China trade. Peking thus reaps political gains far out of proportion to the trade potential it has to offer either or any of the non-Communist countries, considering the degree to which its own commerce is already committed to the Soviet bloc.

TRADE WITH BURMA

In late 1953 the Communists were presented with an ideal opportunity to make a good impression in Asia. Burma's economy depends upon the export of rice, and Burma

couldn't sell enough for cash; at least, not at the prices asked by the Burmese State Agriculture Marketing Board, which has a monopoly on rice exports. The Burmese had tied their development program to a price of 40 pounds sterling per ton; they were unwilling to accept lower bids, and complained that the non-Communist powers had let them down by refusing to buy. Their economic program slowed down while rice filled Burmese godowns. Burma was neutralist, inclined to take Communist promises at face value; without much effort the Soviet bloc could quickly gain a dominant position in Burma's economy. Political and economic advantages could be combined: there was a serious shortage of rice in North Vietnam, and Communist China was obligated to ship rice to Ceylon. The Communists attempted to take advantage of this opportunity, but the Burmese have been thoroughly dissatisfied over their trade with the Soviet bloc and, as U Nu said in May, 1956, "... envision a reduction and eventual cessation of barter deal."

The first agreement, good for three years, was signed with Communist China on April 22, 1954. Under a protocol signed in Peking on November 3, 1954, the Chinese agreed to take 150,000 long tons of Burmese rice in exchange for 20 percent sterling and 80 percent goods. Under a new protocol signed in Rangoon on December 29, 1955 the Chinese agreed to take another 150,000 long tons on a straight goods exchange. A three-year agreement with Czechoslovakia signed at Prague on February 14, 1955 contemplated an annual level of trade in each direction of not less than 3 million pounds sterling. A week later, the Hungarians agreed to accept 20,000 tons of rice in exchange for goods. The first protocol was good for one year; on May 5, 1956, a new protocol signed in Rangoon provided for the shipment of 50,000 to 70,000 tons of rice in exchange for goods. On February 27, 1955, a three-year agreement with East Germany was signed at Leipzig; under an attached three-year protocol, the East Germans agreed to take 50,000 tons of rice in exchange for goods. Similar agreements were signed in Rangoon with other East European satellites: Poland on November 1, 1955 for 50,000 to 60,000 tons; Rumania on February 7, 1956 for 20,000 tons; and Bulgaria on May 16, 1956 for 20,000 tons in exchange for machinery, equipment, and other goods of equivalent value. Between 1953 and 1955 Burmese trade with Eastern Europe grew from \$1 million to \$7 million; trade with China, from \$2 million to \$17 million.

The Soviet Union came on the scene in 1955, more than a year after the first Chinese agreement and six months after the first agreement with an East European satellite. Thus began the tendency continued in Indonesia in 1956—for the USSR to trade in Southeast Asian markets direct, rather than through the European satellites. A three-year agreement was signed in Rangoon on July 1; under the attached three-year protocol, the USSR agreed to take 150,000 to 200,000 tons of rice in exchange for 20 percent sterling and 80 percent goods. On April 1, 1956, a supplementary trade agreement was signed in Rangoon extending the original agreement to five years. The USSR agreed to take 400,000 tons of rice annually for four years in exchange for goods and services.

By the spring of 1956, Burma was committed to ship 800,000 tons of rice per year to the Soviet bloc—approximately half of Burma's average annual rice exports. If no new agreements are made, this obligation will be halved in two years, but Burmese rice will be committed to the Soviet bloc until 1960. Recently, however, the Burmese have realized that now there is a sellers' market in rice; they have dropped their prices and found cash customers,

notably India, which in spring 1956 signed an agreement to pay cash for two million tons of Burmese rice over a five-year period. The Burmese are now afraid that they may miss advantageous cash trade because of their commitments to the Communist bloc. There has been speculation that the Burmese may abrogate their barter agreements as an emergency measure but at present it appears that the Burmese consider this politically unwise. In any event, Burma under these circumstances, is benefiting from any Communist unwillingness to buy all the rice they bargained for. It is estimated that Burma will ship only 500,000 tons of rice to the Communist bloc in 1956—300,000 tons less than agreed upon.

One must presume that the Communists were interested in building up a permanent position in Burma's trade; in order to do so, they would have to ensure that deals with the Soviet bloc were approximately as advantageous to Burma as cash deals. The Communists should have foreseen that Burma's rice surplus would disappear eventually, and that cash customers would appear. The Communists lost their opportunity in Burma by failing to make barter trade work well. They have created almost all the diffi-

culties listed above in the section on "Communist Trade Practices."

Private traders in Burma feel that Communist prices are ten to twenty percent higher than prices for similar goods from Western Europe, and U Nu said in May 1956 that "Our experts have laid before us the implications of the barter trade, that prices are manipulated as to place us at a disadvantage by ten to thirty percent on the goods exchanged." Burmese warehouses are full of Communist electrical goods which do not fit Burmese sockets, cement which does not set, asbestos roofing sheets which are the wrong size, plumbing fixtures which do not fit Burmese pipes, congealed condensed milk in rusty tins, and Czech whisky which no one will drink. Much of the goods, particularly of the consumer variety from China, have been satisfactory, but the government and private traders have lost heavily on unacceptable goods.

Until recently the Communists have not been willing to appoint Burmese agents, and they do not provide catalogs and samples or give other sales services which small traders require. The Soviet Embassy in Rangoon has fifteen commercial attaches, the Czechs have twelve, and the Chinese twenty; they consider that these large offices can handle the trade themselves. Last February members of chambers of commerce in Burma complained that a month passed before Moscow answered commercial inquiries. Another report stated that "usually confirmation on orders for supplies can be obtained within the space of a few hours from suppliers in Western Europe, Britain, India, Japan, etc., with whom Burma has long-standing trade relations. The same transactions with a barter country supplier often take about three to six weeks. Deliveries which have often been delayed for three to ten months or more have meant losses for Burmese traders when their import licenses expire.

As of August, 1956, Communist shipments to Burma lagged far behind the latter's exports to the Soviet bloc. The USSR owes Burma about \$25 million, and, although Moscow is increasing its shipments and making some efforts to send the Burmese the products they need, such as textiles, it seems clear that this imbalance will persist for many months. The Burmese unable at first to transfer this credit to other Communist countries because no clearance arrangements existed within the bloc were unhappy. It remains to be seen whether the "currency convertibility" which Moscow later worked out permitting Burma to use its built up credits in other Soviet satellite markets will improve the situation.

Much of the rice bought by the Communists has been resold. Rice bought by the USSR was shipped to North Vietnam, but Hanoi was never a Burmese market. The bulk of Burmese rice, 112,000 of the 150,000 tons, bought by China in 1954 and 1955 was sent to Ceylon, traditionally one of Burma's best customers. Hungary bought 20,000 tons of Burmese rice and then resold it to French West Africa at a lower price. Rice shipped to barter countries has appeared in West Germany, and as a consequence Burmese sales direct to West Germany have declined. There have been reports that Hungary tried to sell rice to Ceylon and Indonesia. The Burmese have learned their lesson. Recent agreements with the Communist countries include stipulations that the rice will not be resold without Burma's approval.

There have been some reports of Communist bloc technicians and trade representatives carrying on subversion, but since 1950 or 1951 Chinese banks—the Bank of China and Bank of Communications—have used their financial power for political purposes. Overseas Chinese traders in difficulties are offered loans on condition that they do not

support anti-Communist organizations, send their children to anti-Communist schools, or employ members of anti-Communist unions, but show the Communist flag on October 1. These requirements vary in individual circumstances. There have been unconfirmed reports that the Chinese banks have offered assistance to competitors of important anti-Communists in the hope of bringing the latter into line.

BURMESE TRADE WITH THE SOVIET BLOC THROUGH THE PORT OF RANGOON, FIRST HALF OF 1956

(Based on quarterly statements of imports and exports for the port of Rangoon; in Burmese kyats; 1 kyat equals approximately US\$21)

Country	Imports	Exports
China	K. 52,944,048	K. 45,206,924
Czechoslovakia	13,275,330	—
East Germany	2,696,377	2,379,269
Hungary	3,161,091	—
Poland	2,233,422	7,130,716
USSR	9,335,175	7,016,998
North Vietnam	—	5,795,778
Total for first quarter	29,398,183	49,749,778
Total for second quarter	54,247,260	17,679,889
Total for first half of 1956	83,645,443	64,429,667

Almost all of Burma's imports arrive through Rangoon. Exports—principally rice—are also shipped through several other ports. The imbalance between imports and exports is thus greater than shown here. Up-to-date customs figures for all of Burma are not available.

TRADE WITH CAMBODIA

Cambodia's trade with the Soviet bloc is based upon a trade agreement with Communist China which was concluded only last May. The Chinese will export equipment and construction materials and light manufactures in exchange for Cambodian agricultural products, rubber, and other goods. The agreement provides for trade valued at five million pounds sterling in each direction. In June, Peking followed this agreement with an offer of economic aid worth eight million pounds sterling. These arrangements are now being implemented.

TRADE WITH CEYLON

In one instance—the rubber-rice agreement between Ceylon and China—trade with a Communist government has been generally satisfactory to a non-Communist country. But it was a very special case. The Communists were buying a commodity which they badly needed, and they were cut off from other sources of supply. These conditions are unlikely to occur again. The Ceylonese were able to drive a hard bargain, but they had difficulties over prices and the Chinese paid up slowly.

In May, 1951, the UN General Assembly passed a resolution calling for an embargo on strategic shipments to Communist China. Ceylon, which was not then a member of the UN, was not willing to impose controls, and by August 1951 China began to buy in the Colombo rubber market. The first shipment by a private trader left on October 2, 1951, and private trade continued through 1952. China offered rice in the middle of 1952, and in October a Ceylonese mission to Peking agreed to buy 80,000 tons.

This prepared the way for the rice-rubber agreement which was signed in December, 1952, valid for five years. There was some opposition in the Ceylonese Cabinet, but the Ceylonese sought an assured rice supply, higher prices for their rubber (which is more expensive to produce than Malayan or Indonesian rubber) and an improvement in their balance of payments. Ceylon agreed to ship 50,000 metric tons of sheet rubber to Communist China each year in exchange for 270,000 tons of rice. The rubber was more

valuable than the rice, and Peking agreed to settle in sterling or Ceylonese rupees.

In 1953 China became Ceylon's second-best customer, taking 61 percent of Ceylon's rubber exports. Peking's relative importance declined in succeeding years, but the Communists were still a major customer. The difficulties of long-term barter agreements appeared. Ceylon soon had a surplus of rice, much of it secured from China at relatively high prices while the world prices dropped and Ceylon was offered cheaper rice by other countries. In 1954, this created considerable opposition in Ceylon to the pact, but it was renegotiated at lower prices. In 1954 and 1955 China met much of its obligations with rice bought from Burma. Rubber prices had also been reduced at the annual negotiations, but in 1955 a rise in the Singapore price caused the Ceylon Government to request a higher price from Peking. After some delay, the Communists agreed to a revision on a sliding scale which would apply for the second half of 1955 and all of 1956.

By 1955, Peking was in arrears, and in early 1956 seemed unwilling to pay its debt. It asked the Ceylon Government to assist in the sale of its products in Ceylon in order to reduce the debt. The Ceylonese were not eager to do this, and the matter dragged on. But in April a moderate socialist government was voted into power in Ceylon; it was much more favorably disposed toward diplomatic and trade relations with the Soviet bloc than its predecessor, and Peking, anxious to make a good impression, paid its debt of 45 million rupees—about \$9 million—in June, 1956.

Soon Ceylon must look for other rubber markets, for it seems unlikely that China will continue to buy rubber in such volume after the agreement expires at the end of 1957. It is certain in any case that the latter will no longer pay premium prices. The embargo has been eased by Malaya and Indonesia; Peking would like to buy cheaper rubber and is also eager to make a good impression in other countries as well.

Trade between Ceylon and the other Communist countries has been very limited. A trade agreement signed with Poland in December, 1955, was valid for one year. The Poles were to export sugar, cement, coal, textiles, and ships in exchange for Ceylon's traditional exports: tea, rubber and coconut products. A most-favored nation clause was included, and all trade on the Ceylon end was to be handled by Ceylonese nationals. The parties were to attempt to balance the trade, with a swing limit of payments of 400,000 pounds sterling—the currency in which any differences were to be settled. Similar agreements, also for small amounts, were made with Czechoslovakia and Rumania in 1956. A Hungarian trade delegation has visited Ceylon, but no agreement was announced. A Ceylonese mission to Moscow and Peking has discussed trade, and negotiations with the USSR are to take place soon. In the past, most Communist imports of Ceylonese products have been bought in the London market. Recently, both sides have shown interest in more Ceylonese trade with the Soviet bloc, but the Ceylonese are inclined to move slowly because of their established trade with sterling countries.

(To Be Concluded)

CONSTRUCTION OF RAILWAYS IN CHINA

As instruments of trade and travel the railways built before and after the Revolution in China were among the first factors, and now they are similarly ministering to the consolidation of authority and the expansion of trade in those parts of China which were once the cradle of her history and later became the remote backwoods wherein to live was exile. For the first time in its history a Fukienese need no longer box the compass to travel to cities like Kianli or Kanchow in the neighbouring province of Kiangsi. The new railway will take him more or less direct to them. The railway which will make Sinkiang once more one of the great arteries of communication, as the province was during the days of the old Silk Road, is now being built from both ends. The Chinese section from Lanchow is now well into the province, while the Soviets are aiming at laying 100 miles of track this year. Aktogai, the station on the Turkestan-Siberian Railway with which the new trunk railway from Lanchow will link up, was once little more than a railway station. Now it is already taking on the semblance of an important railway junction, with power station, many warehouses, and auxiliary railway tracks.

At Hankow, the last steel girder was linked up on the great Yangtze River railway and highway bridge on May 4, and the entire 5,000-ft long structure is scheduled for completion in September this year. The laying of the rails for one deck and of the road surfacing on the highway deck remain to be done. Designers of the railway to link up Chengtu and Kunming have completed their task, and the entire line is now 80 miles shorter than the line originally planned, while tunnels totalling 20 miles are being avoided, saving about 200 million yuan on the total investment. At

the same time it was announced that the air survey of the railway to Lhasa has been started. There are actually six trunk lines involved in the whole project—from Golmo to Lhasa, Chengtu to Sichang, Kunming to Hokow, and Mangyai to Chehchiang. There are also five projected "special" lines, which include the railways from Kunming to Yimen and Chengtu to Wenchou. Ninety Soviet experts and two from Communist Germany are advising some 200 Chinese engineers and surveyors on the surveys.

Air surveying of some 2,700 miles of railway routes is to be carried out this year. The routes to be surveyed include the 800-mile line from Chinghai to Lhasa, and three other routes, from Chengtu in Szechwan to Sichang, near the Tibetan Plateau; from the Tsaidam Basin in Chinghai to eastern Sinkiang; and from Kunming to Hokow, in Yunnan. The official Chinese news agency says that both the Dalai Lama and the Panchen Lama told Vice-Premier Chen Yi that they hoped some day there would be a railway to Lhasa. The new railway route to Lhasa will have to cross the 9,000 feet Tangla Range. The air survey will provide topographical maps from which a selection of the railway route will be made.

Preliminary surveying started on March 21 in sections of the proposed railway route from Telingha in Chinghai Province through the Tsaidam area to Chohchiang (Cherchen) in southern Sinkiang. The route is nearly 700 miles in length and passes through Hsiaotsaitan, Tatesaitan, Mahai and Lenghu. On its way stands the Aerchin mountain, some 11,000 feet above sea level, which is covered with snow all the year round. In view of the high and rugged terrain and the changeable weather along the way, numerous difficulties both in work and in living are anticipated. Hence

SOME RANDOM REFLECTIONS ON THE SCIENCE OF OCEANOGRAPHY AND HONGKONG IN THIS GEOPHYSICAL YEAR OF 1957

By Professor S. G. Davis, Ph. D.F.G.S.

(University of Hongkong)

This year, 1957, has been widely advertised all over the world as "Geophysical Year". Research teams have been sent to the polar regions: observers in specially fitted aeroplanes have taken high altitude readings of cosmic rays and the earth's magnetism: geophysicists have visited remote parts of the world to record seismic disturbances, radioactivity and the electrical resistivity of rock series: and oceanographers have paid special attention to the great oceans, particularly the sediments at the bottom.

The Surveying Corps of the Ministry of Railways has selected four major alternatives, on the basis of available data and after repeated studies, for preliminary surveying and for the choice of the most rational route. A Socialist labour emulation drive is being launched, and Government departments in Tsaidam Basin have stated they will give all-out assistance in the collection of data for the route, in communication facilities, and in the supply of food to this wild and barren part of northern Tibet.

During the past six months or so, three lines were surveyed from the air by the new processes for which the Soviets have lent experts and equipment, including survey aircraft. They have promised to teach the Chinese surveyors the whole of the new techniques, which greatly reduces the tedious ground system of surveying. The lines surveyed, amounting to about 1,200 miles, are from Sian to Wuwei, from Sining to Mangyai and from Sian to Hankow. The radio elevation detector is being utilised in recording the topographic features of the 900-mile route from Golmo to Lhasa. Coupled with aerial photography, topographic maps on a comparatively small scale can be drawn without having to go through the ground surveying in the unmapped area of the great Tanglha Range.

There was much trouble owing to breakdowns and undue congestion last year on the existing railways, and this year's programme is to concentrate in the strengthening and technical improvement. Three-fifths of the investment on railways will be in this direction, and only 400 miles of new railways will be built in 1957—mainly the Lanchow-Paotow Railway. The northern section of the Kinhan Railway, the western section of the Lunghai, and the railway from Shihchiachuang to Taiyuan experienced great difficulties in 1956 owing to the ever-growing transport. The Paochi-Chengtou Railway has almost to be rebuilt and so has the old narrow-gauge Tatung-Fenglingtu railway bisecting Shansi from north to south, while other work will consist of double-tracking the sections from Fengtai to Chengchow on the Kinhan; from Shihchiang to Yangchuan; from Chengchow to Shanhsien and from Peking to Paotow, so as to cope with the heavy traffic. Double tracking means more than doubling capacity. Railway yards will be expanded and automatic traffic signals instituted, on the double-track Peking to Chinchow line. To boost the transport volume the railways will be given 160 more locos and 6,800 coaches and freight-cars.

The science of oceanography is comparatively new. It compares closely to the science (or art) of geography in its coverage of a wide group of subjects. Thus biology, botany, physics, chemistry and geology are all employed to establish the study of oceanography. The sea holds different meanings for different people: sailors, merchants, tourists, treasure seekers and fishermen all have their particular interests.

Possibly the first of all the great voyages round the world that might be termed scientific was that undertaken by Captain Cook in the 1770's. The Royal Society of England provided him with instruments and scientists to take observations and records.

Many biologists claim that the father of marine biology was a British naturalist, Edward Forbes. He worked during the first half of the 19th century.

The father of Physical Oceanography was an American called Matthew Maury. He worked in the middle of the 19th century and published a book called "The Physical Geography of the Sea". He studied, and what is more important, published his results of the dynamics of the oceans which included currents, tides, temperatures, meteorological data and soundings. He organized the First International Maritime Conference in Brussels in 1853. Maury, by publishing charts of the oceans and daily weather reports, disclosed what had been previously trade secrets confined to a few and only passed on by word of mouth.

It was Sir Wyville Thompson in 1872 in H.M.S. Challenger, who in a long three and a half year voyage round the world firmly established oceanography as a scientific study. Hundreds of deep sea soundings were taken, the floor of the sea was dredged for samples and living creatures and sea water analysed.

The Challenger was both under sail and steam. Compared with our modern research vessels its apparatus was clumsy and primitive. The results of the Challenger took many years to publish and covered 50 volumes.

The Challenger visited Hongkong in 1874. Part of the report goes, "At 11 a.m. (16th November) the ship passed through the Tai Ta Mi Channel and steering through the Lamma and Sulphur Channels anchored in Hongkong at 2.15 p.m." Then after it described the Chinese junks and their inadequate navigational lights. Hongkong is described in a later chapter. Thus its size, latitude and longitude, coastal shape, topography, roads, towns, buildings, meteorological data and monsoons are scientifically recorded. Occasionally gentle humour appears like the following. "At the eastern extremity of the town is the only flat piece of land on the island called "Happy Valley," utilized as a race-course and close to which in somewhat awkward proximity are the cemeteries."

Today throughout the world there are many oceanographical research institutions. Some are very recently established, like that of the University of Hongkong, while others like the Scripps Institution of Oceanography in America and the Plymouth Laboratory of the Marine Biology

Association in England have a much longer history. Their work includes plankton research; the chemical analysis of sea water (besides the common salts, minute quantities of copper, zinc, tungsten, tin and gold are present); the penetration of light; breeding of marine animals; the ecology of estuaries and the shore; the life history of food fishes; and the preservation of fishing nets and tackle.

Even at the end of the 19th century the greatest depths reached in the sea were no more than 100 fathoms. Since 70 per cent of the entire earth's surface is covered by water our knowledge of its crust through taking cores by drilling was then and still is, extremely limited. In recent years however man has found ways and means of penetrating these great depths. Our Hongkong frogmen now reach 60 feet fairly easily. In a heavy suit and oxygen a diver can reach seven hundred feet. In 1932 Beebe and Barton inside a bathysphere reached a depth of 3,028 feet off Bermuda. In 1949 Barton by himself in a sphere called a Benthoscope reached 4,500 feet off California. Professor Picard descended several thousands of feet in 1953 to the bottom of the Mediterranean.

At the bottom of the ocean are pressures averaging seven to eight tons. This great pressure led to the old idea that no life could exist at these depths. However submarine cables at 7,000 feet on being pulled up have had star-fish clinging to them. Again the Russians claim that sea creatures seven miles beneath the surface of the Pacific Ocean near the Kurile Islands have been caught.

Anti-submarine precautions during World War II included the use of hydrophones. Many a naval rating was astonished by the awful noises that he heard. Apparently fish can meow, shout and moan with deafening noises.

There is constant sedimentation going on in the deep sea. The problem of sampling these sediments and solid floor below has intrigued geologists for years. The first instrument capable of boring at great depths was only invented in 1935 by Dr. Piggot. He took a series of cores between Ireland and Newfoundland in the Atlantic. These cores averaged 8 to 9 feet and were the first to give us information of the composition of the ocean floors. A Swede, Dr. Kullenberg, at the end of World War II invented a better core sampler capable of taking 70 foot cores.

The weight of the ocean compresses the crust of the earth below. If this pressure were ever to be relieved from say the western Pacific, then what is now our China shoreline would certainly rise in elevation many tens of feet.

The edges of the continental shelves around our continents are really the true edges of the land masses. From these edges the continental slopes drop rapidly many thousands of feet, sometimes as much as 30,000 feet. This happens off the east coast of Formosa.

The floors of our oceans are as old as the sea itself. Their floors are extremely rugged. There are mountain ranges and deep troughs corresponding to the sculpturing of the land. The story of the lost continent of Atlantis still persists ever since the first mention of it by Plato.

Radioactivity of Ocean Floor Sediments

It has been discovered that the radioactivity of ocean floor deposits is greater than for the average rocks on the land. Red clay is the richest of all the bottom sediments. Again the outer layer of manganese nodules found on the ocean floor is even more radioactive.

It is thought that possibly radioactive elements are precipitated independently on the ocean floor directly from

the sea water. The sedimentary particles act merely as a diluent. Dust that has been activated by atomic explosions and is still floating in the atmosphere will later settle on the sea and sink to the bottom.

Radioactive Fallout

There has been much loose talk about the damage caused by fallout in the testing of atomic weapons. Let it be said that no layman is in any position to know what is a safe limit to the total radiation in the atmosphere. The human body has already some resistance to radioactivity, since long before the first atom was split there was radioactivity in the air. This came from cosmic rays reaching the earth from out of space and the disintegration of such uranium minerals as pitchblende.

In Hongkong we have a background radiation constantly with us. Geiger counter readings taken over the last three years have so far not indicated any increase in this background even though many of our neighbours have reported counts said to be highly dangerous.

It is because the atoms of radioactive substances are unstable that three types of rays are shot out from the nucleus: (1) Alpha (2) Beta & (3) Gamma. The alpha

PAPER MONEY IN MODERN CHINA (1900—1956)

By E. KANN

PART V

(6) FARMERS BANK OF CHINA

Originally not a government bank, the Farmers Bank of China emanated from the Agricultural Bank of the Four Provinces (Hunan, Hupeh, Anhui and Kiangsi); the latter was taken over by the Farmers Bank of China in 1935. In that year its capital was raised from Chinese dollars 3,000,000 to \$10,000,000. According to Article 11 of its charter the said bank was entitled to issue banknotes.

Due to China's currency reform of November 3, 1935, the note-issuing privileges of the Farmers Bank of China were suspended. By that time the bank had nearly \$30 million notes in circulation. However, in February of 1936 the Farmers Bank obtained permission to resume its issue with an upper limit of CNC \$100 million. The notes were to be circulated in rural districts where the Central Bank of China had no branches. Inter alia, the new emission was to assist the agrarian communities and to rehabilitate the regions recovered from the Communist armies. A spokesman of the Central Bank of China explained the position to the Kuo Min News Agency in the following strain:

"The Farmers Bank is now restricted to a circulation of \$100 million in place of the previous unlimited privilege of note issue. Approximately \$40 million to \$50 million of that amount has been outstanding. An increase up to \$100 million has been authorized to be issued on behalf of the three government banks, for the purpose of taking over and retiring the note issues of provincial banks. The legal reserves against note circulation of the Farmers Bank are to be lodged with the Central Bank of China under the control of the Currency Reserve Board.

The issue of notes by the Farmers Bank, in accordance with the Decree of November 3, 1935, will be replaced within two years by notes of the Central Bank of China."

While the foregoing project undoubtedly was intended to serve as outlined, it appears that some alterations of basic

rays have a speed of 14,000 miles per second; beta rays 100,000 miles; and gamma 186,000 miles. The gamma rays can pass through thick layers of metal.

As a result of a suggestion by Dr. S. Matsumae (a Japanese scientist who passed through the Colony in 1954) that tests should be conducted to find out whether our rainwater was then radioactive, monthly readings with a geiger counter were taken. Happily, contrary to Dr. Matsumae's prediction, no excessive readings were recorded.

The following is a very general breakdown of the readings recorded in the Department of Geography and Geology of the University of Hongkong since June 1954. The readings, 43 in number, were taken in different parts of the Colony between June 5th 1954 and 16th May 1957. The two lowest readings taken were on June 5th 1955 and October 31st 1956. They were both 18 percent below the average and were taken on the University roof. The highest reading recorded was on January 25th 1955 at Castle Peak. This was about 20 percent above normal.

The above figures do not indicate any need for Hongkong to worry on grounds of health. Indeed in this troubled world, when so much propaganda goes on to stop further atomic tests, it would undoubtedly be a booster to tourism in Hongkong if we were to advertise our extremely low radioactive background.

Copyright

principles had meanwhile occurred. By March of 1937, the position had changed considerably, seeing that:

(a) the limit of \$100 million had been overstepped by at least 50%, and later on by much more.

(b) the notes of the Farmers Bank of China were not to be considered as legal tender, though they were freely accepted.

Until September, 1936, the Farmers Bank publicized the size of its issue regularly at the end of every month. By that time the original limit had been overstepped by \$8 million, but it was explained that altogether \$30 million more notes in subsidiary values had been sanctioned.

By the close of November, 1936, the Farmers Bank of China's circulation stood at CNC \$162,014,000. The following figures indicate the growth of the emission of paper money by the Farmers Bank of China:

End of	CNC\$	Index
1933	2,008,000	100
1934	5,663,000	282
1935	29,847,000	1,486
1936	162,014,000	8,068
1937	230,798,241	11,494
1938 †	262,219,835	13,056
1940 †	326,019,345	16,236
	510,997,980	25,446

† As of June 30.

Seemingly the development of the situation failed to please the Central authorities, as is evidenced by the fact that special regulations were promulgated toward the end of February of 1937, aiming at a stricter control of the Farmers Bank of China's circulation of paper money.

On February, 1937, the Ministry of Finance promulgated a set of regulations governing the note issue of the Farmers Bank of China.* Pointing out that the bank was given the right to issue notes as legal tender, the order states that the Farmers Bank of China should have the responsibility of maintaining the stability of the foreign exchange and that the required reserves should be handed over to the Currency Reserve Board for custody. The regulations read as follows:

1) As the notes issued by the Farmers Bank of China have been given legal tender status, its reserves shall be held by the Currency Reserve Board, which shall make monthly inspections of both the note-issue and the reserve status of the bank and publish its findings for the information of the public.

2) The issuance of notes by the Farmers Bank of China, either for its own account, or for account of other banks, shall conform strictly with the regulations of the Currency Reserve Board.

3) The Farmers Bank of China shall arrange with the Central Bank of China regarding the use of foreign currency balances as part of its reserves.

4) In its note issue the Farmers Bank of China shall pay special attention to rural districts and outlying border areas of the country.

* Vide "Financial & Commercial Monthly Bulletin" of March, 1937, Vol. 4, No. 3, issued by the Bank of China, Shanghai.

5) In making loans to farmers on security, or in making loans on mortgages, the Farmers Bank of China shall follow the regulations promulgated by the Ministry of Finance.

Article 4 seemingly refers to comparatively large circulation of Farmers Bank paper money in Shanghai and other commercial centers, where the three government banks were fully enabled to take care of the market's needs. The principal idea in granting to the said bank the right to issue fiat money was to serve the rural districts only, where none of the official banks maintained branch offices.

Throughout the period from 1935 to 1943, the status of the Farmers Bank of China was not clearly defined. The institution was not a government bank in the full sense of the word. On the other hand, its powers were strengthened in 1937, when its note issues obtained the same rights and privileges as those of the three government banks. Continually the problem came up for discussion amongst bankers whether or not the paper money emitted by the Farmers Bank of China had legal tender qualities. In practice this was actually the case, though the problem was in need of confirmation.

When the (puppet) Ministry of Finance (Nanking) on May 31, 1943, issued rules for the exchange of all fa-pi notes issued by the Bank of China, Bank of Communications and Central Bank of China, at the ratio of 2 to 1, it deliberately ignored the issues of the Farmers Bank altogether. As a direct consequence, Farmers Bank notes could neither be exchanged, nor circulated, transported or held after June 21, 1942, as far as the occupied areas were concerned. At that time the puppet Finance Ministry promised that at a later stage special rules would be proclaimed with regard to the treatment of the Farmers Bank of China's fiat money. However, regulations pertaining to this problem never saw the light of day. Instead the Japanese military authorities ordered the liquidation of the offices of the Farmers Bank of China at Shanghai, as well as all those domiciled in other occupied areas. In Free China, however, the paper money of the Farmers Bank continued to remain in circulation.

Between end of 1935 and mid-1940 there were 34 monthly inspections by the Currency Reserve Commission of the Farmers Bank's note issue and reserve. In the beginning the bank held monetary reserves of 100%; but toward the close (June 30, 1940) the cash reserves had declined to 49.4%. What its fate was between 1940 and 1942 in connection with the ratio of issue to reserves has not been made public.

The arrival of the Communist armies in Shanghai brought the existence of the Farmers Bank of China on the mainland to an end. However, for reasons of prestige, the said institution transferred its head office to Taipei, capital of Formosa. There it continued a token existence, shorn of former privileges and condemned to complete inactivity. This was its fate still when the year 1956 bowed in.

JOINT SYSTEM ADOPTED BY GOVERNMENT BANKS

In order to have better control of fiscal funds during wartime, the four Government banks formed a joint administration office in Chungking (Szechuen), the wartime capital. The new organization was composed of the Central Bank of China, the Bank of China, the Bank of Communications and the Farmers Bank of China. The purpose of the new combine was officially indicated as comprising:

- 1.—Adjustment of the note-issue of the four banks.
- 2.—Centralization and utilization of capital funds.
- 3.—Inspection of note reserves of the four banks.
- 4.—Issue of and application for subsidiary notes.
- 5.—Joint extension of loans and discounts.
- 6.—Approval of remittances to and from interior and port cities.
- 7.—Approval and applications for foreign exchange by importers.
- 8.—Joint investment in special wartime productive enterprises.
- 9.—Adjustment of material resources in wartime.
- 10.—Collection and exchange of gold and silver.
- 11.—Promotion of special savings and deposit business.
- 12.—Directing other proper joint activities of the four banks.
- 13.—Auditing of budgetary estimates and actual settlement of receipts and disbursements of the four banks.

The joint-administration office was established on September 8, 1939, with the following executive directors: Dr. H. H. Kung of the Central Bank of China; Mr. T. V. Soong of the Bank of China; Mr. Chien Yung-ming of the Bank of Communications. General Chiang Kai-shek, as chairman, represented the Farmers Bank of China.

Other directors included Mr. Jian H. Chen of the Central Bank; Mr. Sung Han-chang of the Bank of China; Mr. Tang Shou-min of the Bank of Communications; Mr. Yeh Cho-tang of the Farmers Bank of China, and Mr. Hsu Kan, Vice-Minister of Finance.

GOVERNMENT BANKS AS PLAYBALLS OF POLITICS

When the rightful Chinese Government, harassed by the Japanese military might, moved to Chungking, the larger portion of the government banks staff followed suit. However, it was not possible to hurriedly remove the numerous physical assets belonging to those institutions. While not anxious to continue regular banking operations, the official banks were keen to liquidate some of their local obligations, especially as concerns deposits.

When discussing the Bank of China, mention has already been made that the Nipponese found a soft part in their hearts by kindly permitting the Bank of China and the Bank of Communications to resume banking business as of September 1, 1942, under strict supervision of the Japanese military apparatus. This date refers to Central China. But, besides this group the Nipponese high command arranged independently the resurrection of the Bank of China and the Bank of Communications in North China, where business was formally resumed as of November 2, 1942.

So, here we had triple teams: (1) The legitimate head offices at Chungking, and branches in the remainder of Free China; (2) Strictly controlled offices of the Bank of China and the Bank of Communications in Central China. (3) Separate supervised special head offices and branches in North China, where another currency was in vogue. The lastmentioned two groups certainly did not seek resurrection emanating from professed Japanese feelings. Unquestionably they were forced by the Japanese military to reopen under close supervision and minus the privilege of note-issues. As the incident justly claims historic significance, it is thought proper to cite here the original Proclamation

pertaining to Central China and give authentic particulars regarding the re-opening for business in North China.

PROCLAMATION

Regarding Disposal of Central Bank of China, Bank of China, Bank of Communications and Farmers Bank of China.

"Simultaneously with the dispatch of Japanese forces into the International Settlement upon the outbreak of the Greater East Asia War, Japanese military authorities seized four banks operated by the Chungking Regime, namely, the Bank of China, the Central Bank of China, the Bank of Communications and the Farmers Bank of China, and appointed special auditors to conduct investigations of these Banks. The reports made by these auditors have made clear the scope of business operations conducted by these institutions.

It is hereby proclaimed that the four banks shall be disposed of in accordance with the principles specified here.

1.—In view of their hostile nature, the Central Bank of China and the Farmers Bank of China shall be closed, and prompt liquidation of the two banks shall be made according to the principles to be announced separately.

2.—In order to attain stability in financial circles in China, lenient measures shall be granted to the Bank of China and the Bank of Communications. The two banks shall be permitted to resume business after completing necessary reorganization such as the severance of their relation with Chungking elements. Concrete steps for the re-opening of these banks shall be decided upon through consultations with the National Government of China.

THE HIGH COMMAND OF THE IMPERIAL JAPANESE ARMY AND NAVY IN THE SHANGHAI AREA.

May 27, 1942."

One day later another Decree made its appearance in the following wording:

ANNOUNCEMENT

Regarding Liquidation of the Central Bank of China and the Farmers Bank of China.

"It is hereby announced the Shanghai branches of the Yokohama Specie Bank and the Bank of Taiwan have been assigned by the Japanese military authorities to liquidate the Central Bank of China and the Farmers Bank of China, whose liquidation was ordered in the proclamation issued on May 27.

The Yokohama Specie Bank will supervise the liquidation of the Central Bank of China, and the Bank of Taiwan will supervise the liquidation of the Farmers Bank of China.

BY ORDER OF THE HIGH COMMAND OF THE IMPERIAL JAPANESE ARMY AND NAVY IN THE SHANGHAI AREA.

May 28, 1942."

In North China the Japanese authorities had, upon the outbreak of hostilities, taken from the Bank of China and the Bank of Communications silver bullion to the amount of \$12,500,000. These funds were, on October 27 and 28th, 1942, returned to the two institutions through the Federal Reserve Bank and the North China Political Affairs Commission. On October 29, 1942, the Japanese military authorities issued the following announcement:

"Following the outbreak of the war of Greater East Asia, the silver bullion placed by the Bank of China and the Bank of Communications under the charge of the Board of Trustees for the Silver Holdings in Peking and Tientsin, was immediately seized by the Japanese military authorities. In view of the current situation, however, the military authorities have decided to release the silver stocks amounting to \$12,500,000. These silver stocks were handed over to the Federal Reserve Bank of China and the North China Political Affairs Commission on October 27 and 28 through the good offices of the Chinese and Japanese officials concerned and will be considered as shares held by the Bank of China and the Bank of Communications in the Federal Reserve Bank of China."

This enforced 'reorganization' constituted the creation of an entirely separate unit. For this particular purpose the Bank of China's capital for North China was \$6,000,000, while the capital of the Bank of Communications (for North China) was \$5,000,000, expressed in F.R.B. yuan. The North China (puppet) authorities were to subscribe 50% of the Bank of China's capital, while their participation in the Bank of Communications new wing was 40%. Head office for both institutions was Peking; branch offices were opened in Tientsin, Tsinan and Tongshan. With the breakdown of Japan in late summer of 1945 these artificially created makeshift banks ceased their inglorious and enforced existence.

SUMMARY OF THE FOUR GOVERNMENT BANKS' NOTE ISSUE

On the hand of official figures published by the Central Bank of China one learns that, by June, 1940, their combined note circulation aggregated nearly 4 billion national dollars. Since no figures were made public after the above date, it would be idle to attempt arriving at correct estimates as of later dates. There is no doubt at all that the note circulation increased considerably after 1940, notwithstanding the fact that large sums were banned by the (puppet) Nanking Government's Decree of May 31, 1942.

The Shanghai Weekly "Finance & Commerce", in its issue of May 21, 1941, opined that by the end of 1940 the combined Government banks' issues had reached a total of 5 billion national dollars. Adding thereto the estimated totals for which the provincial banks, private financial institutions and the 8th Route Army (Communist) were responsible as issuers, the paper arrives at an estimate of 6 billion CNC\$ as of December 31, 1940.

To this aggregate has to be added, according to "Finance & Commerce" the circulation of Japanese-sponsored fiat currencies, namely \$1,400,000,000, including the emission in North China by the Federation Reserve Bank,† by the Mengchiang Bank (Inner Mongolia) of \$93,000,000, of the Hua Shing Bank (Shanghai), namely \$5,000,000; and an estimated yen 600,000,000 in the form of Japanese military scrip issued in the occupied areas of China. At then prevailing exchange rates the total would have been equivalent to CNC \$2,200,000,000, bringing all paper issue in circulation within China at the end of 1940 to about CNC \$8,200,000,000, or roughly four times the pre-hostility level. This position naturally brought about inflationary commodity prices throughout the country and commensurate sufferings and privations on the part of the masses.

The "U.S. Commerce Weekly", dealing with the same subject, and basing itself on the same official figure of 4 billion yuan, plus 1 billion added during the second half of 1940, adjusts the following other items to the circulation: provincial banknotes (largely currency in subsidiary notes) estimated at fa-pi 500 million; notes of the Chinese commercial banks CNC \$200 million; scrip circulated by the Chinese Communist armies CNC \$200 million; and notes of the Communist Border Government in northwest China, about CNC \$50 million. To these currencies should be added the so-called "Wei-wah," or "transfer money" then in vogue in Shanghai in connection with blocked bank accounts, and Hongkong currency which then was held extensively in China.

It is difficult to approve or to decline acceptance of these or any other estimates; one man's guess is as good as his neighbor's. But both opinions appear to be reasonable.

After these commentary remarks it is thought to be a useful supplement if the following official tables, connected with circulation figures up to mid-1940, are presented here.

- (a) Amount of notes issued by the 4 Government Banks;
- (b) Comparative table of such note issues, with percentage figures for 1932/36;
- (c) Table showing note circulation by the 4 Government Banks and the principal Shanghai commercial banks, 1921/40.

† The figure was \$715,000,000.

(To be Continued)

PEKING'S TROUBLE WITH SOLDIERS AND STUDENTS

There appear to have been more soldiers demobilised lately than were taken into the forces, and there has been enough trouble in the past with the ex-servicemen in some areas to prompt Peking to publish material for "talks" with the demobilised men and to guide the ideological education of the soldiers. All should be allowed to voice their ideological problems, it was stated, and then some of the main problems were to be treated through lectures, forums, discussion, and separate talks. "One must not avoid their practical problems for fear of trouble," remarked the Chieh Fang Chun Pao (Liberation Army Daily), and it addressed an open letter to "Dear demobilised comrades." Except a few who will return home to the cities, the overwhelming majority of the demobilised soldiers will return to their native places in the countryside to take part in agricultural production.

Most are quite ready to do this, but there are some who don't want to go back to the farm and seek to go to the cities. They are assured that their ideas are wrong, that work on the farm is not inglorious, and that it is easier to settle down back home among relatives and friends—which is no doubt especially true of the many who were mutilated during the Korean War and whose distribution all over the country is a standing reproach to the decision of Peking—no doubt at Soviet command or desire—to intervene in Korea. They are told it is difficult to get jobs in State organs, factories, mines and cities at present. At first many people were needed but conditions are now different and State organs of all types have been set up and provided with adequate staff. Indeed they are carrying out a retrenchment policy, simplifying structures, cutting staff and retrenching expenditure. Some personnel detached from production pursuits are being returned to production.

It is true that material and cultural life in the countryside is uninviting, and that life is hard, though it has been improved compared with the old days even if it is more difficult than ever in the calamity-stricken areas. Whereas most of the peasants lacked food and clothing and lived on bran and vegetables for six months of the year in the past, the peasants of today have food and clothing. Rural life is hard to-day but it will not be so hard in the future. A quotation is made from a verse showing the poverty of a certain mountain area in Shansi where, however, the peasants got busy under a demobilised army man and dug ditches, built dams, developed water and soil conservation work and planted trees and built terrace land. Production technique, it was stressed, can be learned; agricultural labour turned into a habit; and even those physically weak can be steered into production step by step. A Shouhsien man from Anhwei whose legs and hands were paralysed from wartime wounds was trained how to help in production. Several other examples are cited of disabled servicemen who did their best to take part in work and production.

"Disabled servicemen number several million and Government subsidies to disabled servicemen are limited; it would not do to depend on Government subsidies alone; besides, since we can work with our hands we should not depend on relief for maintaining our livelihood. Some disabled servicemen loafed and did not work; they soon spent their subsidies and asked government for relief, even creating trouble here and there. This conduct is not becoming our PLA fighter and must be opposed. Back in our native

places, we should co-operate with the APC members and make a good job of production. You should not take a one-sided view of things or expect too much or indulge in fault finding. Such an attitude will only cause discontent among others; this was one of the reasons why some demobilised servicemen are not on good terms with the local cadres. We revolutionary servicemen must not consider ourselves as meritorious and special personages simply because we have borne arms for years."

* * * *

Of more than 500 delegates representing middle school students in and around the Paoting district of Hopei, called into conference by the Party's Provincial Committee in April, the absolute majority had come strongly opposed to being relegated to agricultural work after graduation. They thought there was no future in it. Others considered their inability to proceed to higher education was due to the "blind development" policy adopted in education and so harboured grievances against the Government. Some delegates came with bound instructions from their schools to reject outright the proposed participation in farm production, and were even warned not to injure this attitude by trying to show off their own personal activeness before the Party officials. But after five days of oratory and reasoning—according to an official report by Party men—the feelings of the students underwent "a basic change," though even so it seems that only 130 of the 500 openly stated their readiness to go from the class-room to the field.

The credit for this is not unnaturally given to the Party leadership, "which promoted fully the factors favourable to the solution of the question." And the conclusion reached is that "important effects can be produced in overcoming the pessimistic thoughts of the students" by reasoning and discussion and by making them understand that agricultural co-operativization has brought new tasks for the "intellectuals" and indicated a bright future for them. The Party cadres even brought along directors of APCs to speak of the need for literates as bookkeepers, technicians, and cultural and educational workers. This at least made it clear that they would not be required, as school-children are commonly required to do now, to amass, transport and carefully distribute large quantities of human manure to the various fields of the APCs.

Another knotty point was the accusation of the students that too little concern was paid by the authorities to the living conditions of the people, especially in the supply of grain to the villages. They were reminded that the province had suffered one of the worst disasters of several in recent years in the summer of 1956, and that grain had to be brought in from other provinces to keep the stricken farmers alive. The reaction of the students to these explanations, it was suggested, "fully shows that since students generally possess the ideological foundation for patriotism and love of socialism, the calling of meetings like this is a good way to solve the ideological questions of the students."

But they found that the explanation of the situation to pupils unable to enter the secondary schools from the primary institutions was a good deal more difficult. The local cadres and the teachers simply shied off even trying to explain and deliberately avoided any discussion of the question. They likewise hesitate to mobilise the pupils for farm production or similar work in the villages. Matters are made worse because there was no warning whatsoever of

AGRICULTURAL REORIENTATION IN CHINA

In the course of what it called "a grand review" of the agricultural front, the People's Daily wrongly insisted that great progress had been made in the first five year plan. The yield per hectare of major crops had been raised. Typical instances of high yield of rice had been reported from all provinces, with some hsien areas in Kwangtung and Fukien reporting 1,000 catty yields. A number of areas pretended to have set up high-yield records of more than 1,000 catties of corn, kaoliang or millet per mow, and cases were reported of a corn output exceeding 700 catties per mow in large areas. Sweet potatoes had reached 10,000 catties per mow in some places, and high yield had also been registered for wheat and soya beans long regarded as low-yielding crops. Wheat output gained a rapid growth in 1956, and in some parts of Shensi, such as Wukung and Changan, rose by 30 catties a mow, while all the 300,000 mow of wheat fields in Changyeh country in Kansu set a new record over large areas. There were some records of 1,000 catties per mow. The National Programme calls for an increase to 400, 500, and 800 catties per mow in three types of areas within 12 years. Instances are falsely cited in which these targets have already been attained. The output of cotton has also realised a high yield in many large areas and averaged 30 catties of ginned cotton per mow during 1956. During 1956 3,000,000 mow of cotton field yielded 100 catties of ginned cotton each.

Over half the increased output of grain of 20,000 million catties in 1956 was accounted for by such measures as an increase in the index of multiple crops, conversion of dry land into paddy, and change of low-yield crops into high-yield crops. Forces were concentrated in Chekiang to change single into double cropping and inter-row planting into all-row planting. Thanks to such reform, the grain output was still higher despite the typhoon, floods and drought which hit over one-third of the arable land in 1956.

Collective ideas have developed among the peasants, chiefly owing to the lessons taught by natural calamities, but they are still unable to understand properly the relationship between collective and individual interests as meaning the better safeguarding of their own interests. Some neglect the quality of their work in trying to get more wage points. "Wage points are our business, while production is the APCs'" they say. Some who have money do not want to invest their money in the APCs and do not want

to repay outstanding production share capital. They want to spend their labour income as they please and leave it to the cadres to get production capital. They take good care of even small things belonging to themselves but care nothing for APC property and articles, many of which are damaged. An APC feeder in Shansi took draught animals to the wheat field at midnight to eat the young wheat crops in order to make the animals fat so that he could win cash prizes! Last winter some members devoted themselves to side occupations so as to make money and neglected the production pursuits of their APCs with the result that the operation of some of them came to a standstill.

There is nothing strange in all these things—it is a matter of time, patience and perseverance but the tendency of "devoting oneself to production and neglecting politics" which for a time appeared after the land reforms has shown itself again, and the cadres are told they must correct this tendency. "Some comrades hold that the peasants are realists," commented an editorial of the People's Daily; "that both the political work and ideological education are empty talk and that the only way to strengthen the APCs is for members to increase their earnings. So the cadres make wide promises about the daily warnings, and when production results cannot fulfil these promises they feel they are in the wrong and cannot face the APC members. Beyond doubt the key to strengthening the APCs lies in increased production and earnings. But if selfish practices due to lack of ideological education are not overcome, the APCs cannot manage to increase production. No systems can ever embrace all the complexities of reality. If member masses are not ideologically awakened over collectivism, mere systems can never produce complete solutions.

The preliminary targets set by the State for 1957 are to produce 395,000 million catties of grain, excluding soya-beans, 33 million piculs of cotton, and 120 million head of hogs, and to achieve a considerable growth of production in other industrial crops, stock-breeding, forestry production, fishery production and side occupations. At the National Agricultural Exhibition in Peking in February a large map showing the distribution of wasteland showed about 1,500 million mow of uncultivated land which may be reclaimed for cultivation and if all this were reclaimed the cultivated acreage would be doubled.

By now more than 600 million mow of wasteland have been surveyed, and in 1956 alone surveyors carried out the work of investigation of soil and water resources over 50 million mow of uncultivated land in Sinkiang, Heilungkiang, Inner Mongolia, Kansu, Kwangtung and Kwangsi. This wasteland is distributed over a wide area in the country. It is not found only in the frontier provinces with large expanse of land and small population, but also in the rich areas along the lower Yangtze, where large tracts of virgin land still await development. In the provinces of Kiangsu, Hupeh, Hunan and Kiangsi, there are over 30 million mow of land still to be reclaimed. State farms and ranches are being established rapidly. From the coast to the Tien-shan and the Sikang-Tibet plateau, and from sun-tropical Hainan Island to cold Heilungkiang, some 450 large-sized State farms and ranches have been established. By 1956 they had a total acreage of 15,620,000 mow, of which 7,780,000 mow was sown to crops. Since liberation these farms have produced for the State a total of 3,000 million catties of grain and 70 million catties of cotton, while the ranches

the restrictions on the development of educational opportunities. The Provincial Party leaders, however, have decided to try on the Paoting experiment—allegedly so successful with middle school graduates—with the primary pupils. They are not going to meet and be catechised by mere children, of course, but they have passed the word along to the lower levels to take care of the situation in the light of the Paoting experiment.

So what with this and the host of other ideological campaigns ordered from on high to solve the contradictions within the ranks of the people, China is likely this year to have a number of meetings that will eclipse anything known before and perhaps surpass all the meetings ever held in all the several thousand years of recorded history in the country. It may be good for production and trade, but to most people it will look like a vast waste of time, words and effort in a cause of very limited democracy which bans discussion of the system itself.

REPORTS FROM CHINA

Inner Mongolia: At a meeting held recently in Huhehot to celebrate the 10th anniversary of the Inner Mongolia Autonomous Region, Ulanfu, Chairman of the Region, boasted to delegates from other minority areas that the construction of the Paotow iron and steel centre would bring about a fundamental change in Inner Mongolia. According to Ulanfu, industrial production increased 28 times, food crops 2½ times, and livestock more than trebled during the past ten years; population, too, increased but no figure was given. Peking's representative, Li Hsien-nien, haughtily concluded that it was "under the leadership of the Chinese Communist Party" that Inner Mongolia with an area of 1.4 million square kilometres and a population of 8.7 million was able to accomplish these results and added, "Inner Mongolia has set an example for other autonomous areas in China."

Achievements in Tibet: Broadcasting over Radio Peking on the occasion of the 6th anniversary of the 'peaceful liberation' of Tibet, Chang Ching-wu, Peking's representative to Tibet stated that taking into consideration the actual situation in Tibet, 'democratic' reforms would not be carried out in Tibet during the second 5-year plan but warned that Tibet could not get rid of poverty until achieving socialism. The 'actual situation' was not explained in Chang's broadcast. Reporting from Lhasa, Hsinhua News Agency listed following achievements during the past 6 years: 3 hospitals, 8 health centres, 12 clinics and 10 roving medical teams serving Tibetan people free of charge; 6,000 kilometres of motor roads; 100,000 square metres of floor space of homes and offices; 1 middle school and over 70 primary schools; experimental farms in Lhasa, Shigatse and Chamdo. Dalai Lama wrote recently, "Tibetan people will continue to build a happy and politically and religiously prosperous Tibet." He did not say 'a socialist Tibet.'

Atomic Reactor: Kuo Mo-jo, head of the Academy of Sciences, announced that an atomic reactor of the heavy water type, with a power output of 7,000 kilowatts and a cyclotron producing alpha particles with 25 million electronic volts energy will be completed in China this year with Soviet help. His assistant, Tao Meng-ho, claimed that China is now able to extract pure uranium and thorium from Chinese ores, on a laboratory scale and that the techniques of radio-

raised 330,000 hogs, 160,000 cattle, 1,340,000 sheep and goats and 110,000 horses.

Another minor decentralisation move by Peking concerned the curtailment of the number of items of agricultural production for which State quotas were set this year; they were cut from 25 to nine. This is to facilitate the peasants running their co-operatives more independently. The nine items for which the Central Government still sets targets are grain, cotton, soya bean, groundnuts, rape, tobacco, jute, ramie and hogs. Targets for each variety of grain, sugar crops, tea and livestock other than hogs are being worked out mostly by the co-operatives and coordinated by the provincial or county governments.

This is the first measure adopted by the Ministry of Agriculture to encourage independent running of the co-ops along the general lines of the State Plan. In all cases, the provincial and county governments have more responsibility for working out reference targets and discussing the plans with the co-ops. In Liaoning, the provincial government is testing the method of setting State purchasing targets instead of production targets. By reducing the number of State quotas, the peasants will be able to satisfy their needs for a wide variety of grains, animal foodstuffs and edible oil for their own use. This is expected to encourage initiative in production.

active isotopes had been applied in geological, petroleum, power, metallurgical and medical work and other scientific researches.

Scientific Commission and Scientists: Nieh Jung-chen was recently appointed Chairman of the Scientific Planning Commission of the State Council. Four vice-chairmen of the commission include Kuo Mo-jo and Lee Ssu-kwang. The commission will supervise and coordinate the scientific research plan with the over-all planning of the country, provide for international cooperation in scientific research, facilitate research work and make arrangements with regard to training and employment of scientists and technicians. The commission is also charged with the task to welcome back Chinese specialists still in 'capitalist' countries.

During the past 6 years some 7,000 university students and post graduates were sent to study in U.S.S.R. and other Communist countries; 75% of them specialised in natural science and engineering. In addition, 2,000 teachers were sent for further training. In the past two years, 290 Chinese scientists visited over 20 countries and took part in various academic conferences.

Railways: The last steel girder on the Yangtze River Bridge has been completed. The entire 1,670-metre long bridge will be opened to traffic before year-end. A section of 485 kilometres along the Peking-Hankow Railway, from Hankow to Chengchow, will be double tracked to take heavier traffic after the Yangtze Bridge is completed. The 480-metre railway bridge along Nanping-Foochow Railway across the Min River has been completed. This railway line, the second in Fukien, will reach a point 70 kilometres from Nanping by this December.

Peking City Planning: A preliminary plan to build Peking into "one of the world's biggest and most beautiful cities" was announced by the Peking's Daily recently. Peking, the political, economic and cultural centre of the country, will also become an industrial city. The city proper, according to the initial plan, will be nine or ten times the present size with scores of satellite towns around it; but the old city will remain the centre of the capital around which most of the government buildings will be situated. Eighteen main thoroughfares, 110 metres wide, will radiate from the city centre. The present Changan Boulevard will be extended to over 30 kilometres long to be flanked by eight or nine storeyed buildings. The preliminary plan foreshadows the construction of a Peking-Tientsin canal to link the capital with the sea and the ancient grand canal. It also covers the supply of electricity, gas and other utilities.

Hog Breeding: Peking announced that China's pork target this year is 110 million hogs—15.8% more than last year and higher than any previous record. Export of live hogs to HK this year remained steady but much less than 1956.

Textiles: According to a report from Shanghai, China's woollen textile industry is expected to produce 16 million meters of fabrics this year, about 100% more than original target and 16% more than 1956. Five major woollen mills are under construction or expansion this year. A new state woollen textile mill in Peking and another moved from Shanghai to Huhehot will be put into operation later this year. The Peking mill will be able to produce two million meters of fine fabrics a year. The Peking No. 3 Cotton Mill with 86,900 spindles and 3,600 looms started operation last month. It will produce 100 million metres of piece-goods every year.

Dyestuffs: According to the Ministry of Chemical Industry, China is now supplying 90% of her own needs in dyes. 48 kinds of high-grade fast dyes which used to be imported are being put into production. Scores of other high-grade dyes and chemical intermediates for manufacture

TAIWAN'S POPULATION GROWTH

During the past half century, Taiwan has enjoyed a period of relative stability in contrast to the turmoils encountered by the rest of the world. It was this stability that enabled Taiwan to have a comparatively more complete demographic record.

Nine general census of Taiwan had been taken between 1905 and 1956 with the first seven (that of 1905, 1915, 1920, 1925, 1930, 1935, and 1940) taken under the Japanese rule and the last two (taken in 1949 and 1956) by the Republic of China. Thus, in frequency of actual census-taking, Taiwan out-ranks even the United States and Great Britain where general census is taken decennially.

According to the preliminary findings of the 1956 General Census of Taiwan, its population has trebled that of 1905 and doubled that of 1930 as can be seen in the following table.

of higher learnings was more than 70%. Both figures are quite impressive.

A study of the working population shows a gradual decline in the percentage of farm workers. In 1905, when the first general census was taken, 71.3% of the total working population were engaged in agriculture. From that year onward, although the actual number of farm workers increased from one million to 1.8 million the percentage it occupied in the total employment declined to around 60% at the end of 1955. When the detailed statistics of the 1956 general census are released, it probably would show a lesser number of farm workers and that the 59.9% of total working population engaged in "agriculture" may contain a larger portion of those working in fishery. Taking "agriculture" and "fishery" together, the combined percentage de-

Table I. Taiwan's Population, Classified by Sex

Year	Total	Male	Female	Density Per Square Kilometre	Number of Male Per Every 100 Female
1905	3,039,751	1,610,816	1,428,935	85	112.7
1915	3,479,922	1,813,053	1,666,869	97	108.8
1920	3,655,308	1,893,541	1,761,767	102	107.5
1925	3,993,408	2,052,669	1,940,739	111	105.8
1930	4,592,537	2,353,288	2,239,249	128	105.1
1935	5,212,426	2,659,819	2,552,607	145	104.2
1940	5,872,084	2,970,835	2,901,429	163	102.4
1949	7,396,931	3,766,018	3,630,913	205.89	104.0
1956	9,310,158	4,746,811	4,563,347	259.9	103.7

Table II. Educational Background of Taiwan's Population

	Thousands	Per Mil	Thousands	Per Mil
At and above the age of six:			1935	
Higher education	68	11.3	116	16.6
High school	430	70.8	673	96.1
Primary education	2,479	407.6	3,285	469.0
Others (private tutoring etc.)	425	69.9	275	39.3
Illiterate*	2,679	441.0	2,655	379.1
Sub-total	6,081		7,004	
Below the age of six	1,316		2,074	
Total	7,397		9,078	

* The definition of an "illiterate" differs from place to place. The standard applied in Taiwan is a vocabulary of 800 common words. Anyone who fails in the test to read more than 60% of that vocabulary will be classified as an illiterate.

The increase in population gave rise to some Malthusian apprehension in some quarters to which we shall return presently.

From the above table, a marked increase in the literacy of the population is shown. Both the actual number and the permillage of illiterates declined during these few years. The noteworthy increases lie in high school and higher education since primary education in Taiwan is compulsory. The increase in high school enrolment from 1949 to 1955 was slightly more than 60% while the increase in institutions

declined quite steadily: 1905 (73.7%), 1920 (71.2%), 1930 (69.4%), 1940 (70.1%), 1949 (62.7%), and 1955 (59.9%). Furthermore, there was a marked uptrend in the number of persons engaged in fishery and allied trades since 1930's. Around 2% to 21% of the working population was engaged in fishery during the early years between 1905 and 1930. Since 1940, the general census showed that fishery workers occupied 5.4% of the total employed, this percentage further increased to 6% by 1949. Therefore it is safe to postulate a large percentage of fishery workers at present than it was a few years back. This postulation is also consistent with the fact that Taiwan's limited arable land provides a natural limitation to the number of farm workers. In addition, due to the introduction of improved techniques, and new machinery and chemicals, Taiwan's farm production has been expanding without resorting to substantial increases in manpower.

On account of the limited arable land area of this Island coupled with the rapid increase of Taiwan's population, some officials are beginning to worry about the problem of food

of dyestuffs are being trial-produced. A new dyestuffs plant will start partial operation this year in Northeast China.

Bank Deposits: Peking claimed that China's total bank deposits exceeded 2,235 million yuan at the end of last year, an all-time high record. Authorities recently estimated that deposits this year would reach more than 2,600 million yuan, owing to the increased employment and the development of agriculture! In order to circulate the money, Peking can either produce more consumer goods or issue more bonds!

supply. The food situation of this Island would be strained somewhat. Those worries are not groundless for statistical facts can be cited to substantiate their claims.

First of all, the actual rate of increase of Taiwan's population is much higher than the world average. Taiwan's population rose from 5,872,084 in 1940 to 9,310,158 in 1956, an increase of 58.5%; while the world population increased from 2,241 million to 2,691 million during the past 15 years, the rate is about 16.7%.

Those who are less apprehensive argue that Taiwan's population increase during the recent years is greatly exaggerated by the influx of mainland evacuees; that pure Malthusian worry has been proven groundless by the events of the past 160 years since Malthus wrote his Essay on the Principle of Population; that technological improvements could, and did, avert the dire predictions made by the Reverend; and that, on the contrary, peoples' livelihood all over the world has been constantly improved in recent decades despite population increases.

The pessimists contend that even granting that the mainland evacuees had added considerably to Taiwan's populace; granting further that these evacuees would return to the mainland after its recovery; the basic problem of Taiwan's population increase is still valid and unsolved. They point out that long before any mainlander was evacuated to Taiwan, this Island was already having a very high net reproduction rate. The net reproduction rate of 2.051 for Taiwan, calculated in 1935, has already shown its effect during the 20 years that followed even after allowances have been made for evacuees.

So the arguments go on and on. The optimists are of the opinion that the rapidly growing population is an important cause for an expanding economy inasmuch as it represents an increasing consumer demand; the size of the

labour force is used to predict potential productivity as well as the necessary manpower for the recovery and reconstruction of the mainland; and employment figures indicate earnings which in turn determine the nation's purchasing power. The pessimists, on the other hand, point to the unemployment figures as their basis for forecasting a less promising economy; the increasing labour force, they contend, lends keener competition among workers for the smaller number of now-existing job-openings; while the growing population means more mouths to feed. The arguments on both sides sound logical and convincing. However, in a dynamic economy, analysts often run into aetiological hardships.

The gist of the matter seems to rest upon the question whether the present economy is in a phase of expansion and growth or a period of contraction and decline. In a rising economy the living standard of a growing population offers no problem; the increasing labour force will add strength to the economy; and a point close to full employment will usually be achieved. If the economy is on the downtrend, growing population and increasing labour force will create difficulties; unemployment will rise. Admittedly employment itself is an important economic indicator, but to determine the trend of the entire economy, a host of other factors are also taken into account. This is where cause and effect begin to lose their clear-cut identities and, in the words of Burke, "the speculative line of demarcation . . . is faint." In the complexity of a modern economy, all factors are intricately interrelated. One factor may both act as a cause and serve as an effect in relationship to another factor. This is where aetiological hardship arises. But, as evidenced by the remarkable achievements made by the Government and the people since the Restoration it is clear that Taiwan's population, albeit rising faster than average, will not become problematic in the immediate future and that any long-run problem may well be overcome by careful economic planning.

ECONOMIC LETTER FROM MANILA

Philippine Defense Secretary Eulogio Balao stated that the Philippines should have guided missiles to strengthen Western Defenses in the Far East. Balao made the statement following disclosure by the United States that jet-propelled Matador missiles had been sent to Taipei. The Defense Secretary disagreed with a minority of Filipinos who believe the presence of potential nuclear weapons in the Philippines would invite Communist attack. "Whether we have such weapons or not, an enemy could claim we have them and could attack us with similar weapons from land or from the sea. We would be in a much better defensive position if we had them."

A group of Philippine bankers who will go to the United States this fall to attend the annual meeting of the International Monetary Fund will seek to arrange a dollar loan of P300,000,000 from the U.S. Government. The aid will be sought in the form of a stabilization loan which would be used mainly to support Philippine international reserves and meet emergency demands for capital goods imports.

The draft of a proposed \$13,500,000 agricultural commodities agreement between the Philippines and the United States is not acceptable to the Philippine National Economic Council. The government advisory body called for revision of the proposal, recommending that: 1. The amount of rice to be sent from the United States should be reduced. 2. The peso pro-

ceeds from the sale of U.S. surplus commodities should be apportioned so that, under the loan-back provisions of the agreement, the share allotted to economic development would be increased. 3. Peso proceeds from such sales should be assigned only to projects for which the U.S. Government is not already giving dollars under the I.C.A. program.

Proposals before the U.S. Congress to place quota restrictions upon foreign plywood were deplored by the Philippine Lumber Producers Association. The legislation would allow imported plywood to enter the United States only to the extent of 15% of domestic consumption and would allocate this 15% among the exporting countries on the basis of their respective average entries for 1952, 1953 and 1954. Philippines plywood exports to the U.S. during the last five years were as follows:

Year	Quantity	Value
1952	145,421 sq. ft.	P 49,880
1953	156,538 sq. ft.	50,951
1954	598,993 sq. ft.	470,881
1955	2,633,636 sq. ft.	1,824,706
1956	5,070,988 sq. ft.	3,013,471

These quantities, could not seriously threaten U.S. plywood production, which in 1956 amounted to 810,000,000 square feet. The proposed quotas would be contrary to the policy of the Industrial Development Center, a project agency of the Philippine National Economic Council and the U.S. Inter-

national Cooperation Administration. The IDC has been encouraging the establishment of plywood factories in the Philippines through the extension of credit arrangements and facilities, with the result that 12 factories are now operating here and another is expected to start production in the near future. The quota legislation would, therefore, be contrary to the policy of the United States as expressed through the ICA. Some of the plywood and veneer factories in the Philippines are owned wholly or in part by American interest.

The National Rice and Corn Corporation bought 2,676,000 cavans of palay during the first ten months of the 1956-57 fiscal year. (A cavan of palay is about 97 pounds). It far surpassed total purchases in 1956 and 1955, which amounted to 1,344,264 and 300,000 cavans respectively. The record procurement of rice this year tremendously aided efforts to stabilize the price of the cereal. Stocks of palay on hand are still insufficient to meet the demand throughout the country. NARIC is currently buying palay at prices ranging from P0.50 to P1.00 higher than last year, in line with its objective of boosting farm income.

The agriculture department estimated that the palay harvest for the crop year 1957-58 may reach about 76,438,000 sacks (97 pounds to a sack), or an increase of about 2.75% over production last year. The expected rise in the yield was attributed to increased acreage, better seed varieties, more irrigation facilities, and adoption of improved rice planting methods.

Establishment of a flour mill in the Philippines was assured following action of the Monetary of the Central Bank in approving initial dollar allocations for the project. The approval was granted, despite the vehement protests of local flour importers, to a group of Philippine businessmen headed by former Agriculture Secretary Salvador Araneta. The board set several conditions: 1) that the mill procure most of its wheat from U.S. surplus stocks, provided prices are comparable with those on the world market, since the U.S. surplus grain can be purchased for pesos through the I.C.A.; 2) that the mill reduce its projected annual capacity from 100,000 to 50,000 tons, which would be about one-quarter of Philippine requirements; and 3) that wheat will remain a decontrolled item and still allowable for import. Construction of the mill is expected to start shortly, using machinery purchased in England.

The government's National Shipyards and Steel Corp. purchased a P2,784,000 pig iron smelting plant from Elektro-

misk of Oslo, Norway, represented in the Philippines by Macondray and Co. The plant is scheduled for delivery by autumn of 1958. The purchase was made through public bidding. To be installed in Iligan City, the pig iron smelter will consist of two 18,000 k.v.a. furnaces, capable of producing 300 metric tons of pig iron a day. NASSCO intends also to purchase rolling mills and additional furnaces sufficient to turn out 270,000 metric tons of pig iron a year.

Representatives of the Philippine Government are studying a proposal that would tie up the Philippine steel industry with the establishment of a large steel plant in Taipeh, Formosa. The Philippines would supply raw materials in the form of pig iron and also provide a market for some of the steel. An American firm is proposing to build the Taipeh plant. The attraction of the plan is that it probably would allow the Philippines and Formosa to share to the extent of a probable \$25,000,000 each in U.S. aid funds which are available only for economic development projects on a regional rather than a purely national scale.

The recent ban on the import of rayon textiles and certain kinds of cotton cloth was defended by Gregorio Licaros, special assistant to the Governor of the Central Bank. Seeking to allay fears of a price increase in the cost of cotton textiles here, he said that the local mills have submitted express commitments to prevent hoarding and speculation by the simple expedient of flooding the market with their goods. Local importers of textiles, however, were unhappy.

The Far East Motor Corporation—a 100% Filipino-owned enterprise composed of seven major bus operators and four contractors—was appointed Philippine distributor of the Isuzu Motor Co., Ltd. of Tokyo. The new company was organized at the suggestion of the late Pres. Magsaysay, who was aware of the problems of the bus operators. FEMCOR, capitalized at P500,000, will manufacture, assemble and distribute Isuzu diesel trucks and parts in the Philippines.

The mining industry will be the top money maker among the industries of the Philippines within the next three years, Agriculture Secretary Juan de G. Rodriguez predicted. He based his estimate upon the stepped-up activity and the increasing investment in mining, which now amounts to P250,000,000. Mineral production, which rose from a value of P145,500,000 in 1955 to P186,100,000 in 1956, will surpass the earnings of copra, which ranked first last year with P247,000,000, and sugar, which came next with P205,900,000.

HONGKONG COMPANY MEETINGS

NANYANG COTTON MILL LTD.

The annual general meeting will be held on June 15. In his statement, Chairman L. Kadoorie reported that 1956 was a most satisfactory year. There was a further improvement in productivity of all plants. Although everywhere throughout the East there was a steadily increasing competition and growing tendencies to impose import restrictions, we succeeded in expanding the volume of sales. Modernisation and expansion are continuing. In addition to the replacement of old machines by new and more efficient machines, improved processes and techniques have been adopted. Our mill, which has been extended by piecemeal additions during the past years, has developed into a straggling line of buildings occupying an unnecessarily large amount of space and involving a good deal of uneconomic carriage of goods. We have decided to go ahead with plans

for greatly improving the facilities for manufacture and for adapting ourselves to changed and expanding needs. We have recently sold a portion of the Company's land with the proceeds of which it is proposed to erect a new four-storeyed building in which the existing and additional new machinery will be installed.

Indications are that some form of European Free Trade is around the corner. Our industry must be brought to the highest state of efficiency to be ready to meet the increased competition which may be expected, so that we shall not only merely hold our own but turn events to our advantage. It is our overseas activities which provide us with the greater part of our business. The demand for yarns and fabrics in the finer count categories is increasing, and in this direction the short and long term implications are being studied and plans of manufacture will be intensified. In

view of the steadily increasing responsibilities involved in the complexity of the machinery being installed, the need for a properly co-ordinated scheme for the training of recruits for top-management responsibility and for junior foremen and maintenance engineers is being increasingly felt. The facilities which will shortly be provided by the new Technical College, particularly in the projected textile section, will deserve the full support of the industry.

The balance carried forward from 1955 was \$2,002,296. To this must be added the balance in the profit and loss account of \$2,634,374 and a sum of \$20,978 being the amount of taxation over-provided in the previous year. After making provision for future corporation profits tax, and allowing for the appropriation of the interim dividend of forty cents per share, absorbing \$600,000, a balance of \$3,607,648 is available for: a final dividend of 60c per share, amounting to \$900,000; transfer to general reserve \$1,000,000; and carry forward to next year \$1,707,648.

CHINA MOTOR BUS CO. LTD.

Chairman Ngan Shing-kwan stated at the annual meeting held on May 25: The net earnings for the year ended June 30, 1956 amounted to \$2,484,646 which, with the undistributed balance of profit brought forward from last year of \$668,417, makes a total of \$3,153,603 available for appropriation including the payment of a dividend of 8 per cent and a bonus of \$2.20 per share, which together account for \$692,471; the transfer of \$350,000 to reserve for Bus Depot Buildings, \$600,000 to reserve for Bus Replacements, and \$150,000 to Staff Quarters Building Reserve. After making the usual provisions for Founder Shareholders and bonus to Directors and Staff, there remains the sum of \$989,035 to be carried forward to the next financial year.

During the year, the Company's vehicles covered eight million miles and carried over 67 million passengers. Sixteen new buses were taken into service and another 50 ordered. By June 1956 our fleet consisted of 195 vehicles. Seventy-two buses are currently on order or in the course of delivery, and all of them will be shipped before the end of 1957. The value of these vehicles exceeds \$5,500,000 which is quite a heavy commitment, but the necessary funds are available.

Work on the new headquarters and maintenance block was set back quite considerably by unexpected difficulties in connection with the foundations, but construction is now well in hand. The project is expected to cost about \$2,000,000 to which must be added expenditure on the purchase of machinery and equipment. The existing depots are barely adequate to accommodate present fleet, and with so many new buses on order we must acquire additional land for parking purposes. The staff quarters at Marble Road were opened last year and 230 families, numbering over 1,000 persons, have taken up residence. Last month saw the completion of a new bus terminus at Aberdeen. Apart from the temporary stations at Chai Wan and Felix Villas, Stanley Village is the only outlying terminal where no cover is provided for waiting passengers. We are anxious to rectify this state of affairs at the earliest opportunity. With reference to the expiry of the licence under which we operate, we have been in communication with Government for the renewal of our franchise. In the meantime, the licence has been extended for a further 12 months.

LOMBARD INSURANCE CO. LTD.

At the meeting held on June 6, Chairman H. D. M. Barton stated: In the Insurance world the year 1956 was one of the leanest experienced for many years with profit margins well down; it is therefore encouraging to be able to report some improvement in the overall results of our Company. The loss in the Marine Account is \$235,646;

\$201,388 less than the previous year. Whilst it is dangerous to anticipate the outcome of a Marine account, the improving trend gives grounds for hope that we shall soon emerge from the bad cycle. The Marine Fund now stands at \$11,363,915 being 163.6% of the premium income. The Fire Account reveals a much improved result compared with last year. The premium income at \$6,561,460 shows little variation but the transfer of \$509,701 to Profit and Loss Account, against \$241,495 in 1955, reflects an increase in the profit ratio to 7.8%. The premium income in the Accident Department rose from \$1,202,271 to \$1,583,314. Claims totalled \$741,715; a ratio of 46.8%. After making full provision for all known outstanding claims and the usual adjustment in the unexpired risk reserve, the sum of \$46,644 or 2.9% is transferred to the Profit and Loss Account.

The gross income from investments at \$1,381,049 is slightly less than last year. This is attributable to the transfer of certain funds from the Far East to the North American Continent where, investment returns are rather lower. Our substantial holdings of Gilt Edged securities have suffered a further decline in price and the Investment and Exchange Fluctuation Reserve in the Consolidated Balance Sheet has been correspondingly reduced to \$8,090,476. There has however been some improvement in the prices of Gilt Edged securities in the United Kingdom since the end of last year. The net profit for the year amounts to \$829,378 compared with \$636,313 in 1955. A dividend of \$2 per share, the same as last year, will be paid absorbing \$767,848 and leaving \$507,469 to be carried forward to next year.

CHINA UNDERWRITERS LTD.

The annual meeting was held on June 12. Mr. Leo D'Almada (Acting Chairman) made the following report: Insurance companies throughout the world reported that 1956 was an unprofitable year, particularly for business other than life assurance, and many had to encroach heavily on reserves to cover depreciation of investments. We shared in the lean underwriting results, but the overall value of our investments was maintained. In Life Department, premiums are only slightly above 1955. The smallness of the increase was due to the cessation of new business in Burma. Claims and surrenders continued favourable. Commission was very considerably less, both in amount and in proportion to premium income, than in 1955, due to a smaller proportion of first year premiums. Expenses were almost the same as in the previous year. Life Assurance applications received during the year amounted to \$6,955,000. Life policies were issued for \$6,443,200 at annual premiums of \$329,813. Applications for \$293,200 were declined and the remainder were postponed or in course of consideration at the end of the year. Life premium income for the year, after deduction of reassurances, amounted to \$2,932,486 and the Life Assurance Fund stands at \$10,871,824, which is in excess of actuarial liabilities under Life policies.

Premiums in Fire Department increased by 23% over 1955. Claims were only 32% of premiums as the previous year. Commission was fractionally higher in relation to premiums, but expenses were reduced, with the satisfactory result that a transfer of \$100,000 was made to Profit & Loss. Accident business was profitable, except in the Motor insurance section which constitutes more than half of this account. Compared with 1955, Accident Account increased by one-third but the claims were much higher than previously experienced, and it was necessary to support the account from Profit & Loss to the extent of \$60,000. Motor insurance proved unprofitable according to reports from all over the world: the cost of repairs continued to mount and third-party claims were higher. The premiums in Marine Department increased by one-third over 1955 but here again the result was unprofitable. \$25,000 were transferred from Profit & Loss to maintain the Fund at over 80% of premium income. Interest of \$253,096 was credited to Profit and Loss and the sale of property added a sum of \$62,536; adding transfer fees and the balance brought forward from 1955

a total sum of \$377,238 was available for the following: \$3,307 to Investment & Exchange Reserve making it up to \$360,000; \$100,000 to General Reserve, making \$450,000; \$50,000 to Staff Contingencies Fund; \$168,960 to pay dividends of 55 cents per share on 256,000 Ordinary Shares and \$1,877.33 per share on 15 Founders' Shares; and \$54,971 to be carried forward.

INDO-CHINA S.N. CO. LTD.

Chairman (H. D. M. Barton) of the Indo-China Steam Navigation Company, Limited made the following statement at the annual meeting held on May 31: The year 1956 had been a successful year. The improvement, compared with 1955, can be attributed to higher freight levels, a better movement of cargo, and the fact that we had more tonnage in service. The "Chunsang" and "Wosang" were sold and delivered to their new owners in February and May respectively. The new ship "Eastern Argosy" joined the Fleet in April. During the year it was decided to take the "Taksang" and "Loksang" out of passenger class and by stiffening them to Lloyd's requirements, their freeboard has now been adjusted to permit an additional lifting of 700 tons deadweight for each ship. Our Fleet had a total deadweight at the end of 1956 of 85,691 tons compared with 82,404 tons in 1955. The average age of the Fleet of 15 ships is just over nine years. "West Breeze", a sister ship of our m.v. "Eastern Muse" was purchased last year and we will take delivery about the middle of this year. The problem of obtaining building berths has become more and more acute with deliveries five to six years hence. Forward planning is therefore more essential than ever and with new tonnage costing over five times the pre-war figure, bold decisions are necessary if we are to maintain our position in the Industry. Towards the end of last year we were able to obtain a limited option on a building berth with Swan, Hunter and Wigham Richardson Limited for a general purpose motor cargo vessel of approximately 10,900 tons deadweight for delivery mid-1959. The order has been placed.

The net profit for the year is £459,519 which after adding the sum of £69,026 brought forward from the previous year gives a total of £528,545 available for appropriation. The continued rise in building costs and the longer delivery dates make it essential to set aside adequate reserves towards the cost of all new tonnage on order. £300,000 have been transferred to ships replacement reserve. In addition to the required 6% dividend on the cumulative preferred ordinary shares, a dividend of 10% plus a bonus of 12½% on the deferred ordinary shares will be paid as compared with last year's bonus of 5%. £20,000 have been granted to the floating staff provident fund and the balance to be carried forward to 1957 amounts to £67,093. The value of the Fleet is £2,818,042 which now includes the cost of the "Eastern Argosy".

SHANGHAI KELANTAN RUBBER

Chairman H. Kadoorie reported a net profit of HK\$ 197,164 for 1956 at the annual meeting of the Shanghai Kelantan Rubber Estates Limited held here on May 29; the net profit for previous year was HK\$350,404. The cost of production was affected by higher wages, but the rate of duty was lower due to the lower average selling price. As a result, the average cost was lower by just over one cent per pound. The average selling price, however, was down 17½ cents per pound, which accounts for the lower profit. The output was 634,500 pounds as against 620,000 pounds in 1955. We are continuing to benefit from the extensions made since the war. During the year HK\$184,525 was spent on new planting and upkeep of new planting. There is now a large area of immature rubber, and it was decided to postpone the proposed new planting programme for 1957. With the new plantings gradually coming into bearing, it was necessary to spend considerable sums on providing housing for new labour. HK\$93,479 was spent last year on new buildings. The total capital expenditure was HK\$126,881. A dividend of ten cents per share for the year ended 31st December, 1956 will be paid.

SHANGHAI GAS CO. LTD.

Mr. Horace Kadoorie, Chairman, reported at the annual meeting held here on May 29 that there was no change in the situation in Shanghai, the Company's works and property were still held by the Authorities under the requisition order of November 1952. The Profit and Loss Account was solely a record of transactions outside China, on which a net profit of \$145,425 was made. This amount has been deducted from the balance of HK\$2,969,969 brought forward to the debit of Profit and Loss Account as at 31st December, 1955, leaving a net debit balance of HK\$2,824,544 to be carried forward to 1957.

SHANGHAI LAND INVESTMENT CO. LTD.

The annual meeting was held here on May 29. According to Chairman H. Kadoorie, the Profit and Loss Account shows a net income outside China of HK\$34,115 last year. From this has been deducted the loss for the year ended 31st December, 1955, leaving a net balance of unappropriated profits arising outside China of HK\$4,703. This has been deducted from the debit balance at 31st December, 1954 of HK\$3,332,183. The debit balance carried forward is HK\$3,327,480. The value of fixed assets are same as at 31st December, 1954. These assets are in China and are not in the control of the Company. The market value of the investments as at the 31st December, 1956 was HK\$ 1,455,078.

FINANCE & COMMERCE

HK EXCHANGE MARKETS

June	U.S.\$		Notes High	Notes Low
	T.T. High	T.T. Low		
3	\$629½	629	627½	626½
4	629½	628½	627½	626½
5	628½	628	626½	625½
6	628½	628	625½	623½
7	626½	626½	624½	623½
8	626	626½	624½	623½
D.D. rates: High 628½ Low 624½.				

Trading totals: T.T. US\$3,510,000; Notes cash US\$385,000, forward US\$ 2,510,000; D.D. US\$340,000. Market continued to ease off on gains of cross rate in New York. UK's relaxation of embargo on trade with China helped to strengthen the Pound Sterling; some speculators took oversold positions. In the T.T. sector, gold importers provided limited demand. In the Notes market, selling pressure was checked by heavy change over interest which favoured

buyers and aggregated HK\$7.40 per US\$1,000. Positions taken by speculators averaged US\$2½ million per day. In the D.D. sector, market was quiet.

Far Eastern Exchange: Highest and lowest rates per foreign currency unit in HK\$: Philippines 1.75—1.72, Japan 0.014875—0.0148, Malaya 1.876, Vietnam 0.06451, Laos 0.055, Cambodia 0.075, Thailand 0.2881. Sales: Pesos 320,000, Yen 118 million, Malayan

\$320,000, Piastre 12 million, Kip 5 million, Rial 8 million, and Baht 3 million. Pesos were weaker because it was rumoured that restriction on imports from here by self provided foreign exchange will soon be lifted by authorities of the Philippines. **Chinese Exchange:** People's Yuan notes quoted HK\$1.45 per Yuan. Taiwan Dollar notes quoted HK\$0.165—0.164 per Dollar, and remittances 0.1755—0.173.

Bank Notes: Highest and lowest rates per foreign currency unit in HK\$: England 16.88—16.75, Scotland and Ireland 14.00, Australia 12.52—12.47, New Zealand 15.35—15.30, Egypt 11.00, East Africa 15.40, West Africa 13.50, South Africa 16.50—16.48, Jamaica 14.00, Fiji 10.00, Malta 12.00, India 1.192—1.1905, Pakistan 0.8655—0.865, Ceylon 0.995, Burma 0.53, Malaya 1.839—1.836, Canada 6.5475—6.52, Cuba 5.50, Argentina 0.135, Brazil 0.075, Philippines 1.7525—1.7425, Switzerland 1.43—1.42, West Germany 1.43, Italy 0.00955, Belgium 0.115, Sweden 1.02, Norway 0.72, Denmark 0.77, Netherlands 1.54, France 0.0151—0.015, Vietnam 0.0735—0.071, Laos 0.0545—0.054, Cambodia 0.075—0.0725, North Borneo 1.60, Indonesia 0.133—0.132, Thailand 0.282—0.279, Macau 1.015—1.01, Japan 0.01595—0.0155.

Gold Market

June	High .945	Low .945	Macau .99
3	275½	274½	284¾ High
4	275	274½	
5	274¾	273¾	
6	272¾	272¼	Low 261
7	273½	273¼	
8	273½	273	

Opening and closing prices were 275½ and 273, and the highest and lowest 275½ and 272¼. The market remained easy and rates dropped under selling pressure. Interest for change over favoured buyers and aggregated 50 HK cents per 10 taels of .945 fine. Tradings averaged 8,500 taels per day and totalled 51,000 taels for the week, in which 12,500 taels were actual cash sales (2,400 taels listed officially and 10,100 taels arranged privately). Speculative positions averaged 18,000 taels per day. Imports from Macau amounted to 14,000 taels; 24,000 fine ounces arrived there in the week. Exports totalled 9,000 taels (6,500 taels to Singapore, 1,500 taels to Rangoon, and 1,000 taels to India). There was no shipment to Indonesia, because it was reported that Djakarta might outlaw the free gold market there. Differences paid for local and Macau .99 fine were HK\$13.20 and 12.50 respectively per tael of .945 fine. Cross rates were US\$37.73—37.68 per fine ounce; 27,200 fine ounces were contracted at 37.73—37.69 cif Macau. US double eagle old and new coins quoted HK\$281—278 and 238—236 respectively per coin, English Sovereigns

HK\$62—61 per coin, and Mexican gold coins HK\$293—289 per coin. **Silver Market:** 500 taels of bar silver traded at HK\$5.90 per tael; 700 dollar coins at HK\$3.80 per coin; and twenty-cent silver coins quoted HK\$2.90 per five coins.

Money Market: The market was a little tighter on account of heavy demand from real estate operators and importers. The influx of oversea Chinese capital also slower while Communist operators here switched funds out of the Colony in preparation for the pending increase in trade with UK and other countries which might relax the embargo on trade with China. Interest charged by most leading banks remained at 6% p.a. for letters of credit, 7—8% p.a. for overdrafts against securities, and 10—12% p.a. for long term mortgages. Native banks and money lenders asked 10—12% p.a. for loans against godown warrants and 15—18% p.a. for real estate mortgages.

HK SHARE MARKET

The market opened firm; buyers increased their prices because there had been no selling response during the previous week when offers were low. Interest was centred on Wheellocks, Lands, Utilities, Stores, Cements and Cottons; the turnover improved to \$3.9 million. Most closing rates were higher than those of the previous week and the undertone at the close was firm.

Lands improved by 50c; over 12,000 shares were transacted. Wheellocks re-

gistered a turnover of 65,000 shares and closed 45c higher. Trams, Yaumatis, Lights, Electrics and Telephones retained strong demand throughout the week; Trams firmed by 50c, Yaumatis up by \$1 but lost it again at the close, Lights dipped 20c under light scale profit-taking, Electrics firm at 30, and Telephones gained \$1.20. The keen interest (18,900 shares transacted) in Telephones was probably due to the Company's recently announced expansion programmes; at present, Telephones offer an annual yield of about 5.24% which is the lowest compared with other Utilities.

Steady exports of cotton textiles continued to stimulate Cottons; Textiles up by 15c with 17,000 shares concluded and Nanyangs improved by 10c with 10,600 shares transacted. HK Banks remained quiet; quotations first eased to 1640 but closed slightly better at 1645. Union Ins. and Lombards registered no transactions; buyers tried to force prices down following recent reports that 1956 was one of the leanest years experienced in insurance business with profits down, but there was no selling response. Wharves followed the firm trend of the previous week and edged up to 109 with sellers wanting 110 at the close. Docks, too, stood firm above 43 in spite of buyers' efforts to push it to 41.25; 500 shares finally concluded at 43.75.

Monday: opened cheerful, prices firm, turnover \$780,000. **Tuesday:** mild fluctuations, \$664,000. **Wednesday:** steady, \$318,000. **Thursday:** \$572,000. **Friday:** active and firm, \$1,565,000.

Share	May 31	Last Week's Rate			Up & Down	Dividend	Annual Yield* (%)
		Highest	Lowest	Closing			
HK Bank	1650 s	1645	1640	1645 s	—\$5	\$80	4.86
Union Ins.	91	91 n	89.50 b	91 n	quiet	\$3.40	3.74
Lombard	37 n	37 n	36 b	37 n	quiet	\$2	5.41
Wheelock	7.40	7.85	7.40	7.85	+45c	75c	9.55
HK Wharf	108 s	110 s	107 b	110 s	+\$2	\$6	5.45
HK Dock	43.25 b	44.25 s	41.25 b	43.75	+50c	\$2	4.57
Provident	13.20	13.30	13.20	13.30	+10c	\$1	7.52
HK Land	35.50	36	35.50	36	+50c	\$3.50	9.72
Realty	1.475	1.475	1.45 b	1.45	—2½c	15c	10.34
Hotel	15.50	15.60	15.40 b	15.60	+10c	\$1	6.41
Trams	22.80	23.30	22.80	23.30	+50c	\$1.70	7.30
Star Ferry	135 n	137 s	135 n	135 n	quiet	\$9	6.67
Yaumatis	104	105	104	104	firm	\$7.50	7.21
Light	19.10	19.10	18.90	18.90	—20c	\$1.10	5.82
Electric	30	30.25	30	30	firm	\$2	6.67
Telephone	27.40	28.60	27.50	28.60	+\$4.20	\$1.50	5.24
Cement	33 s	33	32.75	33	steady	\$4	12.12
Dairy Farm	14.80	14.90	14.70	14.90	+10c	\$1.63	10.94
Watson	11.90	11.90	11.80	11.80	—10c	\$1	8.47
Yangtze	6.25	6.40	6.30	6.40	+15c	70c	10.94
Allied Inv.	4.475 b	4.50	4.475 b	4.50 b	+2½c	25c	5.56
HK & FE Inv.	10.30 b	10.30	10.10 b	10.10 b	—10c	75c	7.43
Amal. Rubber	1.50	1.525 s	1.475 b	1.50	steady	28c	18.67
Textile	4.65 b	4.80	4.70	4.80	+15c	50c	10.42
Nanyang	8.50	XD 8	XD 7.90	XD 8	+10c	\$1	12.50

* Annual Yields are only ESTIMATES calculated with current X-All rates against last year's dividends.

TRADE DEVELOPMENTS IN MAY

Business in the local commodity market was steady in general but the undertone weak. Torrential rains during mid-month did not affect trading but obstructed imports of foodstuffs from Canton by rail and delayed loading and unloading of vessels in the harbour. Japan, Europe and other countries remained keen in popular items of China produce but many buyers turned to China direct for those items which dealers here failed to obtain sufficient supply from Canton. Quotations for metals failed to improve on orders from China and SE Asia because buying offers were very low. Business in paper was first restricted by low stock but when replenishments arrived from Japan and Europe, customers considered prices here too high. Cement continued firm on steady local and export demand but pharmaceuticals and industrial chemicals sluggish throughout the month. Spot transactions in cotton yarn, cloth, sugar, rice and wheat flour slowed down. In spite of the news of UK's relaxation of embargo on trade with China towards end of the month there was no indication of a bull market in the near future.

According to Government statistics, imports during May totalled \$437.5 million and exports \$255.3 m. Compared with March and April figures, both imports and exports declined. Imports were still higher than 1956 record on account of the arrival of consignments rushed here by ships which had left UK and Europe before May 1st freight increases but exports were \$52.8 m less than May 1956.

Freight and Insurance Rates: Shipping companies cut freight surcharge on cargo to and from Europe and UK to 5% (formerly 15%) after basic rates for HK/UK and HK/Europe routes were hiked by 10% on May 1. HK/US freight, too, went up by about 15%. Towards end of the month, tramp rates were reduced but shipping companies continued to collect the 5% freight surcharge on cargo to and from Europe (including UK) shipped by steamers on regular runs many of which took the Suez route during second half month. Insurance rate (war risk) for cargo via Suez came down first to 0.175% and later to 0.1125% (advanced from 0.05% to 0.30% in April).

Trade Embargo: In spite of US objections, UK relaxed the embargo on trade with China. London did not break away from CHINCOM, the 15-nation committee which coordinates the embargo on China, but eliminated the separate list for China trade which has about 200 items more than the list applied to trade with USSR and her European satellites. In Hongkong, industrialists believe that this development will handicap the growth of HK industries while China traders hope

that Peking will now send more staples and foodstuffs to the local market in spite of the increasing volume of China's direct trade with UK, Europe, Japan and SE Asia. Local agents of UK, European and Japanese manufacturers expect to get more orders from Peking but many businessmen doubt that it can increase the volume of HK-China trade. As a result of the improved wharf facilities at Tsamkong on the Luichow Peninsula, an increasing number of British vessels will call at Tsamkong bypassing Hongkong. The actual effects remain to be seen; but it will be too naive to expect that the relaxation or even the lifting of embargo can reactivate HK-China trade to pre-embargo level.

One of the important consequences is that China can now get heavy machinery, equipment and industrial supplies cheaper than when these purchases were made through USSR and other Communist countries. Indirectly, this will help Peking to speed up her second 5-year plan especially when Japan, UK and West Germany will be competing with each other to get orders from Peking. According to a West German merchant who had recently paid a visit to China, the outcome of the Anglo-Japanese competition "would depend on whether China preferred higher-quality British goods or lower-priced Japanese goods." Does this statement imply that Peking will buy more West German products which are supposed to be better than Japanese goods and yet cheaper than British equipment?

Will Peking be able to pay for more imports from UK and other free world countries? At present, Peking has a large Sterling reserve accumulated during the past few years. Her purchasing power in the future depends upon the success of her agricultural programme. Recently, Radio Peking announced that China would cut export volume of several essential commodities due to shortages on the mainland. In the case of edible oils, a projected cut of 120,000 tons was envisaged during 1957. Floods in China during May will further affect 1957 crops. However, during the next six months UK will be able to do more business with China. The advantage at present is that Peking is starting her second 5-year plan and at the same time she has the money to start initial purchases from UK if the right products are offered.

HK/China Trade: From the local commodity market, China absorbed round bars, steel plate and other items when prices here were forced down by selling pressure developed after heavy imports. Consignments of foodstuffs to the local market remained very heavy and constituted the major portion of total import from China. Local mer-

chants who went to Canton got only limited supply of paper, nails, cement and other industrial products which authorities there preferred to sell direct to SE Asia instead of through HK exploiters. According to Canton reports, a large portion of the £6.6 million worth of contracts concluded at the Products Fair held there from April 25 to May 14, consisted of woodoil, egg products, bitter almond, raw silk, feather, hog casing and other popular staples sold to European buyers' HK agents for direct shipments from China to Europe.

India/China Trade: The trade agreement between China and India (first signed on October 14, 1954 and valid for 2 years) was renewed with certain modifications on May 25 in New Delhi. These modifications mainly relate to payments and arrangements for conversion of rupees into sterling through an account maintained by People's Bank of China with Reserve Bank of India beginning July 1, 1957.

HK/Japan Trade: Imports from Japan remained heavy consisting chiefly of cement, textiles, paper, sewing machine, electric appliances, fruit and sea food, machinery and sundries. Dealers here booked less textiles, paper and sundries from Japan during the month because indents were too high while demand from SE Asia for these items turned weaker. Japanese cement and electric fans however retained very strong local demand. In view of the popularity of Japanese sewing machines, electric fans and several other appliances in Hongkong, consumers are wondering why dealers have not introduced Japanese refrigerators, air conditioning units and automobiles to the local market?

Japan's purchases of China produce from the local market continued to decline because buyers in Japan were anticipating to procure the bulk of their requirements from China in the pending talks between the two countries on renewal of trade agreements. If Japan follows UK's example and further relaxes the embargo on China, the volume of trade between Japan and China will continue to grow; consequently, less beans and oil seeds will be purchased from here. Shipments from here to Japan last month consisted chiefly of iron ore and scrap iron. There was no order from Japan for metals.

SE Asia/Japan Trade: In SE Asia, Japan was planning to open trade development offices in various cities. As a result of Japan's intensified trade promotion in SE Asia there has been a sharp decline in shipments of Japanese products from HK to Thailand, Indonesia and other countries since mid-1956. Japanese vessels passing through HK for SE Asian ports are usually heavily loaded with consignments from

Japan for these countries that there is little space left for HK exporters. Report from Osaka alleged that due to the unusually heavy shipments of industrial products to SE Asia at the beginning of this year many Japanese firms could not get their funds back from these markets which are now suffocated with Japanese goods.

HK/UK and HK/Europe Trade: Cargo movements between HK and Europe (including UK) slowed down after rush of shipments during previous months. Imports totalled about 25,000 tons compared with about 45,000 tons in April; metals constituted about 20% of the tonnage and paper about 1,000 tons. Several ships scheduled to reach here in June by the Cape route arrived towards end of May. There was, however, no congestion of cargo because the bulk of imports booked by local dealers early this year had already reached here and indents concluded during the past month were not very heavy. On the other hand, the resumption of the Suez route helped to relieve the shortage of paper and provisions in the local market much sooner and in the cases of canned milk, coffee, wines, biscuits and canned food, retail prices were marked down from highs of last year following the Suez blockade.

Hongkong manufactured rubber shoes, rattan ware, cotton textiles, knitwear, toys, torch and shirts constituted the major portion of exports to UK and Europe. Exports of China produce to these destinations, however, declined on account of short stock here particularly in popular staples. Many orders booked by European buyers were for forward shipments direct from China to various destinations. HK must export more local manufactures in the future to keep up the present volume of shipments to Europe. At present, demand for HK products from Denmark, Germany, Norway and Sweden is steady but Belgium is buying less HK products than last year. Exports of textiles to UK remained heavy and continued to bring more criticism from UK manufacturers especially from Lancashire textile men who had intended to come here for the second time (to unwisely persuade HK manufacturers to limit the export of HK cloth to UK) but cancelled the trip after HK Cotton Spinners Association passed a resolution that HK cannot and will not agree to any limitation of such exports.

HK/US Trade: Rattan furniture made up about 3/4 of all shipments to US during May. Export tonnage was not as heavy as in April because local firms had rushed most shipments to US before May 1st freight increase. Exports of ladies' and men's tailor-made apparel to US by parcel post remained heavy. In addition to large-quantity parcels despatched by tailor shops and mail order firms, many local residents are sending dress and suits to relatives

and friends in US regularly. HK manufactured rattanware, gloves, firecrackers, torch, cotton textiles, shirt, garments and other apparel are now very well established in US markets. It is now time to introduce more products to American consumers. Returning from New York World Trade Fair, Mr. Haking Wong reported that businessmen and manufacturers in US, Canada and Latin-American countries were very surprised to find that HK had such a large variety of products. There is much to be done to promote exports to US. To surprise Americans with what HK has is not enough, local exporters and industrialists should study what US consumers will actually buy. Proper handling of the business is also important and Mr. U Tat Chee has a very good advice: "Do not take on more business than factories here can handle."

Imports from US exceeded 10,000 tons consisting chiefly of cigarettes, milk, fruits, canned and frozen food, summer apparel, air conditioning units, machinery and equipment, cotton, textiles, black plate, pharmaceuticals and cosmetics. Local mills curtailed imports of raw cotton from US because indents were more expensive than quotations from Brazil and other sources; however, purchase of this item from US will increase in June after mills here have received purchasing authorizations from Djakarta for HK cotton textiles against payments in US raw cotton. American consumer goods, from a tube of tooth paste to various kinds of frozen food, remained popular in HK in spite of high prices compared with UK and other products. Is this a compliment to the quality of US commodities or a proof of pro-American sentiment in HK? Indirectly, American movies are not only influencing local residents in their ways of living and entertaining but are also helping American manufacturers to market their products, particularly consumer goods.

To encourage more exports to HK, Washington added (on May 3) more than 300 items on to the list of exports to HK which require no individual export licences. These new items include electric paint mixer, farm and home freezer, range refrigeration combination, dairy and poultry equipment, typesetting and duplicating machines, printing press, aluminum, organic acids, tanning compounds, cementing preparations, phosphatic fertilizer materials, dental supplies and medical and surgical apparatus.

Hongkong manufactured jade, quartz and hardstone figurines, and joss paper can now be shipped to US and its dependencies if covered by comprehensive certificates of origin.

HK/Canada Trade: Only a small number of HK firms are trading with Canada. Major imports last month

were wheat flour and canned food. Canadian authorities were considering to restrict imports of rubber footwear. This item constitutes about 50%, in value, of HK products shipped to Canada at present. Compared with last year, Canada bought less HK products during the past 5 months and a cut in the purchase of rubber footwear will further slice the volume of such exports.

HK/Indonesia Trade: During the first three weeks there were only a few enquiries from Djakarta; even the long expected purchasing authorizations for cotton yarn contracted by Djakarta under the US raw cotton for HK textiles deal had not reached here. The value of rupiah dropped from 1,000 rupiah for HK\$135 to \$128 making imports from HK too expensive for Djakarta businessmen. Furthermore, authorities in Djakarta were contemplating to eliminate non-nationals from 17 different kinds of trade which covered almost every line of commercial activities. Many firms here who used to trade with Djakarta switched to trade with Sumatra and other areas outside Java Island; Sumatra used to provide 70% of Indonesia's total export of rubber, coconut oil and other staples.

Towards end of the month, demand from Djakarta improved because US agreed to lend \$15 million to Djakarta for various development work while rupiah recovered to HK\$137. Authorities there also considered to resume the issuance of import licences for machinery and equipment as well as various industrial supplies including cotton yarn in view of the shortage of these items in Indonesia. Purchasing authorizations, too, arrived to cover shipments of HK cotton yarn to Djakarta. Purchases from here however covered only small quantities of metals, torch, Chinese foodstuffs, paper and other industrial supplies. Exports during the month to Djakarta covered by previous orders and to Indonesian ports outside Java island totalled 4,000 tons consisting chiefly of cotton textiles, knitwear, wire nails, paper, torch, garlic, salt fish and other foodstuffs. Prospect for improvement in export to Djakarta is uncertain because foreign exchange reserve there remains low. However, purchase of HK Cotton textiles against payment in US raw cotton can be retained if mills here keep their quotations attractive and delivery dates early.

HK/Thailand Trade: Rice shipments from Thailand continued heavy but imports of beans, timber and other staples slowed down. In spite of the ease of import restrictions in Bangkok shipments of rosin, steel plate, cement, paper, torch, bed sheet, foodstuffs, sugar, paint, wheat flour and gunny bags to Thailand did not show any significant improvement. Tight money in Bangkok restricted purchases to a certain extent but HK/Thailand trade remained slow chiefly because Bangkok

merchants bought more supplies such as paper, window glass, wire nails and foodstuffs direct from China. Laos' curtailment of imports from Thailand also affected Bangkok merchants' purchases from HK.

HK/Korea Trade: Exports to Korea showed no improvement. Orders from Seoul covered only small quantities of sugar, paper, metals, dyestuffs, pharmaceuticals and fibre yarn. Demand was strong but Seoul considered prices here too high and in the case of paper, stock here was short while the bulk of purchases in chemicals and pharmaceuticals were made direct from US and Japan. Seoul also purchased 20,000 tons of Thailand rice through a HK firm but the local market was not affected because shipments will be made direct from Thailand to Japan. Imports of staples from Korea insignificant; dealers here did not book large supplies of gallnuts, agar agar and other staples from Seoul because incidents were higher than market prices here.

HK/Taiwan Trade: From the local market, Taiwan bought only limited quantities of metals, rosin, milk products, chemicals and pharmaceuticals. Prospects are doubtful because Taiwan buys the bulk of her supply direct from US, Japan and other suppliers. Imports of sugar and live hogs to HK remained heavy; there were also feather, garlic, onion, fruits, starch, tea, camphor products, straw board, cotton cloth and canned food from Taiwan but consignments were limited to small quantities.

Trade with Taiwan is giving HK a deficit of over HK\$16 million during the past 5 months (deficit for the whole year of 1956 was \$3 m.) chiefly due to heavy shipments of sugar to the local market. On the other hand, HK's invisible exports to Taiwan have also improved. Increasing number of US and Chinese visitors are coming here from Taipei to do their shopping; many come here regularly. The rich in Taiwan usually ask their relatives in HK to send dress materials and other consumer goods, mostly luxury items, to Taiwan through 'friends' who either work on airlines or have 'exclusive' transportation facilities. Furthermore, these funds are in most cases transferred here through black market operators or brought here in US dollar notes by buyers themselves.

HK/Malaya Trade: Exports to Singapore and other Malayan ports totalled 9,000 tons consisting chiefly of HK manufactured knitwear, metalware; Taiwan sugar; Chinese foodstuffs, construction materials, sewing machines, bicycles, tea, herb medicines, wire nails, electric fan and phonograph records. Demand continued strong during the month; Indonesian cities outside Java island procured large quantities of HK

manufactures and other HK exports via Malayan ports. To cultivate more demand for HK manufactured goods in Malaya, HK factories will send exhibits to Malaya's Merdeka trade fair to be held at Petaling Jaya, near Kuala Lumpur in August/September, and to another exhibition to be held in Singapore early in August. HK manufacturers are also concerned about the increase in preferential tariff rates following the independence of Malaya. Another important development is the growth of Singapore industries with Japan's help. Furthermore, Singapore businessmen are already trying to compete with HK in entrepot business.

Malaya/China Trade: Malaya is still not very successful in selling rubber to Peking in spite of the fact that both Kuala Lumpur and Singapore have been buying plenty of foodstuffs and light industrial products direct from China since the lifting of rubber embargo. Rubber merchants in Kuala Lumpur and Singapore are now considering to have a Peking purchasing agent in Singapore; they argue that China's heavy purchase of rubber from Indonesia was facilitated by the presence of a Peking representative in Djakarta.

HK/Philippines Trade: Demand from the Philippines improved considerably during the month because many permits for this quarter issued by Manila will expire by end of June and holders of these permits rushed to buy goods from HK. Principal items shipped to the Philippines were metals, canned food, paint, cotton yarn and cloth. Towards month-end there were no more orders for cotton and rayon textiles because manufacturers there claimed that their production capacity could already meet domestic demand for these items. There were reports from Manila that authorities there were considering to allocate more foreign exchange for imports of factory materials but dealers here do not expect much increase in L/C purchases because Manila is anxious to balance HK-Philippines trade. Another report from Manila revealed that the proposal to abolish foreign exchange controls and to adopt the export/import link system had been passed by the Senate and submitted to the President for approval. According to the proposal, exports will be divided into 3 categories; exporters can retain 100% of the foreign exchange earned from export of the first group, 80% from the second and 15% from the third group to finance imports. Such proceeds can be sold to importers if exporters do not wish to bring back imports.

HK/Cambodia Trade: Cargo movements between Phnompenh and HK were active throughout the month. Dealers here bought substantial quantities of rice, beans, live hog and cattle, groundnut, maize, green pea, cow hide, timber and scrap iron from Cambodia

and in return shipped there large consignments of cement, foodstuffs, sugar, wheat flour, and small quantities of metal, chemicals, paper, metalware, towel, cotton textiles and other consumer goods. In addition to US\$5 million aid funds earmarked by Phnompenh for various imports, merchants there financed many of their purchases with self provided foreign exchange.

HK/Laos Trade: No order reached here from Vientiane during the month. Reports from Bangkok disclosed that large quantities of transit goods from HK and Japan (purchased early this year) to Laos were stranded in Thailand.

HK/South Vietnam Trade: Saigon bought from here only small quantities of joss stick, wine, vacuum flasks, cotton yarn, sundry provisions and foodstuffs and in return shipped here feather, beans and other staples. Towards end of month there were enquiries for sugar, machinery and equipment, and automobiles but no order was concluded. Trade with Saigon remained slow mainly on account of restrictions imposed by authorities there on Chinese businessmen in South Vietnam.

HK/North Vietnam Trade: Barter dealings with North Vietnam continued active though on a very small scale. Haiphong shipped here live hogs, wood-oil, feather and other staples in exchange for rubber, pharmaceuticals, dyestuffs, metals, sugar and industrial supplies. Demand from this source is strong but restricted by the lack of sufficient amount of foreign exchange in Haiphong to finance various purchases; buying offers were usually much lower than market prices here.

HK/Burma Trade: Demand from Rangoon for old newspaper, glass bottles, canned food and other foodstuffs, metalwares, cotton textiles, plastic products, sugar and other commodities remained strong; dealers here ordered more newspaper from Canada and US to meet the demand for this item. Exports to Burma during the first five months this year have exceeded the same period last year by about \$15 million. Imports of beans, timber, rice and other staples from Burma this year are much less than 1956 leaving a comfortable surplus for HK. However, the future is not all too sure because there is intense competition from Pakistan in the supplying of cotton yarn and from Taiwan in the selling of sugar to Burma. Demand for Japanese products is also weakening because Japan has been sending more exports direct to Burma recently.

HK/Ceylon Trade: Trade with Ceylon remained slow and possibility of improvement slender. Exports averaged a little over \$1 million every month and imports much less. Principal exports were dried chilli, garlic, cotton textiles,

rubber shoes, enamelware, cassia and beans while tea constituted the major portion of imports.

HK/India and HK/Pakistan Trade: Trade with India showed a deficit of about \$6 million and with Pakistan about \$8 m. Pakistan yarn and Indian cotton continued to enjoy very strong demand in the local market. Exports to India averaged a little over \$1 million per month while shipments to Pakistan about \$1 million every month; principal exports were cassia, pig iron, granite and paper. The volume of Chinese window glass, paper, and other industrial products transhipped here to India showed a steady increase recently.

HK/Africa Trade: Demand from British East Africa and French E.A. remained strong and exports exceeded 2,000 tons last month. Towards month-end, shipments to French E.A. slowed down because Madagascar's purchasing power was adversely affected by the bad coffee crops there; authorities there tightened import restrictions to curtail foreign exchange spending. Union of South Africa continued to favour HK manufactures and import restrictions there were relaxed recently. French West Africa bought several consignments of rainwear, enamelware, coloured cloth, mirror, rayon textiles, canvas shoes and sundries from here but British W.A. cut imports from here because its purchasing power had been affected by the decline of price for cocoa in international markets. Principal exports to African markets included foodstuffs, cotton textiles, knitwear, enamelware, torch, plastic products and shirts. Competition from Japan and China, particularly in supplying African markets with textiles, tea, paper and foodstuffs, is growing.

HK/North Borneo Trade: Imports of scrap, timber, rubber, firewood, tanning extract remained steady but exports dwindled partly due to the slow down of illicit flow of HK goods from there into the Philippines. Demand from North Borneo will not improve if traders there cannot send various foodstuffs and commodities to the Philippines because NB's domestic consumption is very limited. Dealers here do not expect this situation to remain permanent because as long as there is demand in the Philippines for HK exports, trade restrictions will only stimulate smuggling activities.

HK/Australia Trade: HK textiles and other products are meeting intense competition from Japanese goods in Australian markets and if Australia promote more direct trade with China, exports of woodoil and other China produce from here to Australia will be curtailed. Much has yet to be done by HK industrialists to retain and cultivate demand from this market for HK manufactures such as plastic products, vacuum flasks, umbrella, cotton textiles,

knitwear, rattanware and other items. Imports of wheat, wool tops, dairy products, frozen meat and fruits from Australia will remain at the present level because local demand for these items is now very steady. Members of a joint Australian-American rice growing syndicate visited HK during the month and announced that they might mill Australian rice in HK for local consumption and/or for export.

HK/Okinawa Trade: Metals, sugar, enamelware, vacuum flask, plastic products, beer and provisions were principal items shipped from here to Okinawa. Demand from this source however is irregular and quantities involved insignificant.

HK/Macao Trade: Authorities there removed the 5% import duty on consumer goods introduced in 1954. This will not stimulate HK exports to that destination to any considerable degree because local consumption there is limited while re-exports from there to China insignificant.

HK/Middle East Trade: Consignments of HK manufactures and other commodities to Aden, Al Kuwait, Port Sudan improved with the resumption of Suez traffic; export to these destinations totalled 5,000 tons last month and principal items were cotton textiles, rayon piece goods, enamelware, plastic products, torch, rubber shoes.

China Produce: Supply of popular items such as bristles, woodoil, beans and oilseed from China was still difficult to get. Dealers here who went to Canton managed to procure small quantities of these items but indents had all marked up and in the case of woodoil, quotations from Canton were higher than offers cabled by Peking to Europe. Supply of feather, beans, maize and oilseeds therefore came chiefly from SE Asia particularly from Cambodia. As a result European buyers preferred to take forwards through their own agents in HK who negotiated with Canton and Peking for direct shipments of hog bristles, goat hair, egg products, bitter almond, rosin and cassia from China direct to Europe. From the spot market, Europe bought only small quantities of aniseed star, rosin, and spun silk. Japan and other buyers (Australia, New Zealand, Pakistan and India), too, booked forward shipments through dealers here covering woodoil, cassia, rosin and turpentine. Demand from Japan for sesame, beans and other oilseeds slowed down because Japan was buying these items direct from SE Asia and, furthermore, Japanese merchants were expecting to procure most of the supplies during the pending China/Japan trade talks. Singapore was interested in black and other types of beans but purchases from here restricted by limited stock while at the same time China offered to supply various types of beans to Singapore

direct. Trading volume in the local China produce market is therefore declining with various buyers approaching China for direct supply when quantities involved are big and buying from here only small lots either for urgent delivery or because prices are cheaper.

Metals: Imports of bars, plates and other popular items from UK, US and Europe remained heavy but much less than previous month. Prices remained low in spite of orders from China, Taiwan, Korea and SE Asia because supply far exceeded the quantity involved in these transactions; furthermore, buying offers were very low from China. Exports to China last month included round bars, galvanized iron pipe, iron wire rod, mild steel plate, black plate waste, waste, tinplate, galvanized iron sheet, and steel wire rope. Round bars were also favoured by Taiwan, Cambodia, Philippines; galvanized iron pipe by Okinawa, Korea, Taiwan, Philippines; iron wire rod by Thailand, Cambodia and Korea; steel wire rope by Philippines, Taiwan and Korea; mild steel plate by Thailand, Cambodia, Okinawa, Taiwan and Philippines; black plate by Korea and Philippines; waste waste by Cambodia; and galvanized iron sheet by Indonesia. Japan was keen in scrap iron but at the beginning of the month, buying offers were kept very low because US was shipping large quantities of this item to Japan. During Jan.-Apr., US shipped 654,549 short tons of 1st grade and 584,000 tons of 2nd grade steel scrap to Japan. On May 6, however, Washington suddenly prohibited further sales of high grade steel scrap to Japan (the embargo does not cover exports of low grade scrap). Japan had asked US to supply 2.48 million tons of scrap iron including 1.44 m. tons of A grade scrap but US agreed to ship only 2.1 m. tons including 1 m. tons of A and B grades. Consequently Japan returned to the local market for more high grade scrap but refused to pay too high a price. With the exception of scrap iron, price hike in the local metal market is not possible in the near future especially when the surcharge on freight rate might be completely discontinued. Further decline is also unlikely in view of China's appetite for low-priced bars and plates as well as demand from SE Asia for popular items. The fact that imports during May were much less than the previous month and that such imports will further drop in the future also helps to stabilize the local market.

Paper: Dealers here still found it difficult to get supplies from Europe; new quotations for bond, cellophane, duplex board, further hiked. Imports of Japanese woodfree, m.g. cap and newsprint in reams were insufficient. Canton marked up prices for manifold, newsprint in reams and straw board and offered only small consignments to local dealers. Canton also failed to meet local demand for poster, flint, bond

and other popular items. However, instead of turning enquiries down with a flat 'no supply', Canton offered to supply these items to HK dealers provided that orders at the same time include items which are unreasonably expensive but exceedingly difficult to sell. Shortage of supply in China can be appreciated from the fact that Peking recently bought 5,000 tons of woodfree printing from Japan in addition to imports of woodfree and paper pulp from Europe and newsprint from USSR. Furthermore China prefers to supply SE Asia direct instead of via HK. In view of the supply difficulty here, Korea bought only small quantities of woodfree, cellophane and glassine from the local market and turned to Japan for newsprint and other requirements. Demand from SE Asia for newsprint in reams, cellophane, cigarette paper and packing paper was strong but many orders fell through because buyers considered prices here too high while dealers claimed that their prices were very reasonable in view of high replenishment cost. Local demand for newsprint in reams, woodfree, poster, sulphite, m.g. can and straw board remained steady throughout the month but consumption limited.

Towards end of month, supply from Europe relieved stock shortage here to a certain extent but high cost restricted the volume of business sending SE Asian buyers to Japan and China for direct supply. Indent offers were again available from Japan for early deliveries but dealers here considered most quotations too high and booked only small consignments of straw board, m.g. ribbed kraft, poster, bond and cellophane which were still short in stock. In the firm but slow market, newsprint in reels alone continued to drop; stock here was so heavy that speculators requested manufacturers' agents here to cancel their outstanding orders for this item because the compensation which they have to pay for the cancellation is far less than the loss which they will suffer if goods are shipped here and demand from Korea for this item does not improve.

Pharmaceuticals: Trading slow; demand from China and SE Asia selective and handicapped by low buying offers in some cases and by short stock in others. Local demand for sulfonamides, aspirin, phenacetin and other fine chemicals remained steady but limited quantities involved did not stimulate the market.

Industrial Chemicals: The market was sluggish throughout the month; prices, however, firm on high replenishment cost. Korea, Taiwan and SE Asia bought most of their supplies from Japan, Europe and US direct. Local agents of UK and European manufacturers were favoured by China for acetic acid, gum copal and a few other items but quantities involved were piti-

fully small; such orders do not affect the local market because shipments will be made direct to China. Local demand was limited to small quantities of tanning extract, caustic soda, paraffin wax, sodium hydrosulphite, sulphur and plastic moulding compounds.

Cotton Yarn & Piece Goods: Spot bulk transactions remained quiet throughout the month but HK yarn and cloth firm because factories here were rushing deliveries to Indonesia, UK, Philippines, Burma and other destinations covered by previous orders which will keep most mills here busy till year-end. Textile men here were optimistic towards month-end when the long overdue Purchasing Authorizations for cotton textiles ordered by Indonesia against payments in US raw cotton arrived from Djakarta. Pakistan yarn recovered from previous drops and firmed during the month on curtailed imports and marked up indents. Japanese yarn which opened sluggish at the beginning of the month, closed steady. Chinese grey sheeting, however, declined because speculators liquidated their holdings after Indonesia suspended purchases from the spot market. Chinese drill, too, eased but later recovered on dwindled stock. Japanese white cloth and shirting retained steady local demand but grey sheeting eased under pressure of Chinese products. Taiwan grey was short after brisk exports during previous month; quotations firm.

Rice: Imports from Thailand, China, South Vietnam, Cambodia, and North Vietnam flooded the local market keeping quotations at low levels especially when Bangkok quotations were marked down slightly. Korea booked Thai rice through local dealers but the transaction covered direct shipment outside the quota for HK and therefore did not affect the local market. Towards month-end whole rice improved with better retail business and less imports from China but broken rice remained sluggish. Glutinous rice enjoyed strong festive demand during the two weeks before the Dragon Boat Festival which fell on June 2. Government announced that rice import quota for the 3rd quarter of 1957 would be 66,000 tons plus an optional 10%.

Wheat Flour: Hongkong brands were firm throughout the month on steady local demand and orders from Cambodia and Korea. Canadian brands eased under heavy arrival and remained sluggish till month-end. US brands failed to improve on increased cost because demand was weak. Australian flour first firmed on low stock but when fresh supply arrived from Australia, prices eased.

Sugar: In spite of heavy arrivals from Taiwan, granulated sugar remained firm on the local market on strong demand from Korea, Cambodia, South

Vietnam and Burma. Prices fluctuated within narrow limits during mid-month when international market eased slightly and excited speculators here liquidated hoardings but towards month-end quotations returned to firm levels. Philippine brown remained firm throughout the month on short stock. HK Taikoo products first marked up on the buoyant market but came down slightly when profit-taking by speculators forced Taiwan granulated down; towards month-end, Taikoo failed to recover even though Taiwan products had firmed.

Cement: HK Green Island cement retained strong demand from Macao, Singapore and local construction companies. As a matter of fact, local demand alone far exceeded the production capacity of Green Island. Japanese cement therefore enjoyed very strong local demand and constituted the major portion of exports to Cambodia, Thailand and North Borneo. Chinese cement, too, enjoyed increasing demand from North Borneo and local contractors but dealers here recently failed to get enough supply from Canton on account of increased domestic demand in China.

Gunny Bags: When prices here hiked too much on account of dwindled stock, Haiphong suspended purchases from here and ordered direct from India. There were also orders from Manila and Phnompenh but quantities involved insignificant. Prices here remained firm at month-end.

Hongkong Products: According to Mr. U Tat Chee's estimate, HK's participation at the recent US World Trade Fair attracted enough enquiries from prospective buyers for HK products to bring US\$2 million worth of orders to HK factories. Some orders for HK products were turned down because they were too big. Mr. U pointed out that HK must begin to think in terms of much bigger production and to meet American tastes in design. Preparations were made during the month by Government for HK to participate in the Frankfurt International Autumn Fair which will be held during the first five days of September. In view of the sharp decline in demand for HK products from Indonesia, and a gradual drop in shipments to Thailand and Malaya, local industrialists should really speed up the development of new markets and the consolidation of existing markets such as US, UK, Europe, Australia, Africa as well as Malaya.

COMMODITY PRICES ON 31-5-57

CHINA PRODUCE

Aniseed Star—Kwangs: export quality, £110 per ton c & f Europe; 3rd quality, forward, \$67 picul. Kwangtung, \$70 picul. Haiphong, \$61.80.

Camphor Tablets—HK, \$3.40 per lb of 1/16-oz tablet; \$3.30 per lb. of 1/8-oz tablet; \$3.25 per lb. of 1/4-oz tab; \$3.20 per lb for of 1/2-oz tab. **Cassia**—Kwangtung, broken, \$64.50 picul. **Coir Fibre**—Szechwan, £125 per ton cif Japan. **Hen Egg Yolk** (spray process)—North China, 7s 3d per lb. c & f Europe. **Whole Hen Egg** (spray process)—North China, 6s per lb. c & f Europe. **Frozen Hen Egg Yolk**—North China, £360 per ton c & f Europe. **Duck Feather**—Export quality, AAA, 85%, \$590 per picul or 6s 4d per lb. c & f Australia. **Goose Feather**—HK, GGS 90%, 8s 2d per lb. c & f Europe. **Garlic** (untoasted)—Kwangtung, \$66.15 per quintal. **Gypsum**—Hupeh, white, \$12 per picul. **Kwan tung**, brown, \$120 per ton. **Graphite** (80/82%)—HK, £27 per ton cif US. **Realgar**—Hunan, export quality, A grade, \$68 per picul. **Talcum Powder**—Kwangsi, \$240 per metric ton. **Menthol Crystal**—HK, \$43 per lb. Shanghai, \$42. Taiwan, \$37. **Peppermint Oil**—HK, \$15 lb. Shanghai, \$22 lb. Taiwan, \$14 lb. Alum—Wenchow, \$300 per metric ton. **Ramie**—Thailand, yellow, new stock \$42 per picul. Kwangtung, yellow, new, £64 per metric ton c & f Japan. **Raw Silk**—Canton steam flature, natural, 20/22 denier, £2,801 per picul; 50/70 denier, \$2,521. **Rosin**—South China, mixed, A grade, June forward, \$100 per quintal. WG grade, £70/3/0d per metric ton c & f Japan. **Sesame**—Africa, yellowish white, \$82 picul. Cambodia, black, medium, \$58 picul. Thailand, black, 1st, \$63 picul. **Aniseed Oil**—Kwangsi, in drum, \$1,310 picul. Haiphong, export quality, \$1,140 picul. **Camphor Oil**—Taiwan, in drum, \$138 picul. **Cassia Oil**—Kwangtung/Kwangsi, 80/85%, in drum, \$1,350 per picul. **Citronella Oil**—Taiwan, \$4.50 lb. **Woodoil**—China, refined, in bulk, \$170 per picul; June forward, \$2,600 per long ton ex-Kowloon Railway Station or £162 per long ton c & f Europe; July/August forward, £178 per long ton c & f Australia. **Bitter Almond**—Tientsin, red membrane, new, \$235 per picul. **Gallnut**—Korea, \$700 per picul. **Dried Ginger**—Kwangsi, new, \$140 picul. **Maize**—Cambodia, yellow, \$23 picul. **Hog Bristle**—Tientsin, No. 55, black, 28s 4d per lb c & f Europe; No. 26, 24s 1d. **Groundnut Oil**—African, 1st, in drum, \$168 picul. Tsingtao, \$130; Tientsin, \$133. Cambodia, \$153. Indonesia, old, \$131. Thailand, new, \$158 to \$168 picul. **Soyabean Oil**—Japan, refined, \$120 picul. Thailand, \$115. **Black Bean**—Shanghai, \$110 picul. **Broad Bean**—Kalgan, new, \$56 picul. **Green Pea**—Burma, small, \$51 picul. Anhwei, \$60. Thailand, large, 1st, new, \$75. Hupeh, \$51. **Red Bean**—South Vietnam, new, \$36.50 picul. Kiangsu, \$80. Tientsin, new, \$87. **Long Bean**—Saigon, brown, \$37 picul. Rangoon, new, \$30.50. **Soya Bean**—Dairen, 1956, \$46.50 picul. Cambodia, old, \$37. **Green Bean**—North China, \$44 picul. **Groundnut** (shelled)—Thailand, new, mixed, \$72 picul. Philippine, 1st, white,

\$88. Africa, \$70. Tsingtao, unsorted, \$103.

METALS

Mild Steel Angle Bars—Europe: 1/8" x 1" x 1", \$55 picul; 3/16" x 1 1/4" x 1 1/4", \$52.50; 3/16" x 1 3/4" x 1 3/4", \$52; 5/16" x 2 1/4" x 2 1/4", \$52. **M.S. Flat Bars**—Europe: 1/8" x 1 1/2" to 1 1/2", \$60 picul; 1/4" x 1" to 2", \$57. HK: 1/8" x 1 1/2" to 1", \$57; 1/4" x 1 1/2" to 2", \$56. **M.S. Round Bars**—Europe: 1/2" dia, \$46; 3/4" dia, \$42; 1" dia, \$42.50. HK: 1/4" to 1 1/2" dia, \$53; 5/8" to 7/8", \$52; 1", \$53. **M.S. Square Bars**—Europe: 1/2" and 5/8" squares, \$58; 3/4" to 1" sq, \$57.50; 1 1/4" and 1 1/2" sq, \$57. **Mild Steel Plate**—Japan, 4' x 8': 1/32", \$66 picul; 1/16", \$58; 3/32", \$58; 1/8", \$55; 1/4", \$62; 1/2", \$66. **Galvanized Plain Steel Sheet**—UK, 4' x 8': 1/32", 61c per lb; 3/32", 58c; 1/8", 57c. **Steel Wire Rope**—HK, 24 x 6 x 720: 1", \$1.90 per lb; 1 1/4", \$1.70; 1 3/4", \$1.40, 2", \$1.30; 2 1/2", \$1.20; 2 3/4", \$1.20. UK, 24 x 6 x 7: 1", \$2.25; 1 1/4", \$1.70. **Tinplate Waste**—Coked: UK, 18" x 24", \$110 per 200-lb case. Electrolytic: US, 18" x 24", 1 ton skid, \$94 per 200-lb case; UK, \$93. **Misprint**: UK, 18" x 24" and larger, \$44 per picul. **Blackplate Waste**—UK, 18" x 24" and large, G29/G33, \$43.40 picul. **Tinplate**—UK: 20" x 28", \$138 per 200-lb case of 112 sheets with tin-lining: 30" x 36", G24, 76c per lb. **G. I. Sheet**—Japan, 3' x 7': USSG 24, 59c per lb; USSG 26, 61c lb; USSG 28, 64c lb; USSG 31, \$6.60 per pc. **Black Plate**—Japan, 3' x 6': G18, \$59 picul; G22 to G26, \$70. **Aluminum Sheet**—Japan, 4' x 8', 99.5% alloy: G22, \$2.35 lb; G24, \$2.38; G26, \$2.40. UK, rolled, 2" width, 99.5% alloy, G22, \$2.35 lb. **Brass Sheet**—UK, rolled 12" width, 9/12 oz per sq ft, \$290 per picul; HK, rolled, 10/11 oz per sq ft, \$269 picul. **Copper Sheet**—Germany, 4' x 8', 1/16", \$3.15 lb. **Zinc Sheet**, 3' x 8', G5, \$146 picul; G6, \$145. **G. I. Wire**—Europe: G8 and G10, \$60 picul; G16, \$66; G20, \$83; G22, \$86. **Steel Wire Rod**—Europe: 1st grade, 3/16" to 1/4", \$50 picul; 2nd grade, 7/32", \$44 and 5/16", \$43. **Black Iron Pipe**—Europe: 3/4" dia, 44c per foot; 1" dia, 65c. **G. I. Pipe**—Europe: 1/2", 44c; 1", 78c; 1 1/4", \$1.03; 1 1/2", \$1.36; 2", \$1.70; 2 1/2", \$2.50. **Wire Nails**—HK: 1/2" and 5/8" x 18 BWG, \$110 picul; 3/4" x 17 BWG, \$90. Japan: 1/2" x 18 BWG, \$105 picul; 5/8" x 18 BWG, \$100; 3/4" x 17 BWG, \$95; 1" x 15 BWG, \$67. **Steel Box Strapping**—Japan: blue annealed, 5/8", G27, 62c per lb; cold rolled, black, 3/4" G20, \$61 picul. **Scrap Iron**—Cast iron scrap, \$28.50 per picul. Wrought iron scrap: 1st, \$420 ton; 2nd choice, \$255. Iron plate, ship salvage: 3/8", \$41; 1/2" and over, \$42 picul.

PAPER

Bond Paper—White, 22" x 34", 60 gr, 32-lb ream: Norway and Sweden

with water mark and brand name, \$32 ream: Central Europe, with w/m and b/n, \$27.50; Japan with w/m and b/n, \$24.50; Europe, without w/m and b/n, \$25.50; Japan, without w/m and b/n, \$22.50. Coloured, 60 gr, 32-lb ream: Norway or Sweden, \$33; Europe, \$29.50; Japan, \$25.50. **Woodfree Printing**—31" x 43", Japan: 60/100 gr, 57/100-lb ream, 70c lb; 50 gr, 48-lb ream, 72c. Europe: 62/83 gr, 65/80-lb ream, 77c; 90/100 gr, 90/100-lb ream, 78c. China, 60/90-lb ream, 68c lb. **Manifold**—22" x 34", 30 gr, 16-lb ream: Sweden and Norway, \$17.50 ream; Austria, \$16; China, \$12.20 ream. **Poster**—31" x 43". Japan: 60/70 gr, 57/68-lb ream, 76c lb. China: 17.2 kilo, 36-lb ream, \$19.80 ream; 19.5 kilo, 42-lb ream, \$21.50. 21.5 kilo, \$22.30 ream. **M.G. Ribbed Pure Red and Green Sulphite**—Sweden, 34 gr, 40-lb ream, 35" x 47", \$32.50 ream. **M.G. Ribbed Red and Green Sulphite**—Japan, 34 gr, 35" x 47", \$31 ream. **M.G. Pure White Sulphite**—Sweden: 40 gr, 47-lb ream, 35" x 47", \$34 ream; 34 gr, 40-lb ream, \$30.50. Europe: 34 gr, 40-lb ream, \$29.50 ream; 50/90 gr, 60/100-lb ream, 73c lb. **M.G. White Sulphite**—Czechoslovakia and Germany, 40 gr, 47-lb ream, 35" x 47", \$31 ream. **M.G. Pure Ribbed Kraft**—Austria, 30 gr, 46-lb ream, 35" x 47", \$31.50 ream. Japan, 33/34 gr, 39/40-lb ream, \$28.50. **M.G. Ribbed Imitation Kraft**—Czechoslovakia and Poland, 40 gr, 47-lb ream, 35" x 47", \$31 ream. Europe, 60/150 gr, 75/160-lb ream, 35" x 47", 72c lb. **M.G. Ribbed Kraft**—China, 48-lb ream, 35" x 47", \$24.50 ream. **Un glazed Kraft**—China, 40/80-lb ream, 35" x 47", 63c lb. **Straw Board**—26" x 31", 8/16 oz; Holland, \$500 per ton; Japan, \$540; China, \$480; Taiwan, \$485. **Cigarette Paper**—Japan, in ream, 20" x 30", 24 gr, \$14.80 ream. **Cellophane**—30 gr, 36" x 39", UK, \$80 ream; Japan \$80; Italy, \$77; France, \$76. **Newsprint in Reel**—31", 50/52 gr: US, 49c lb; Canada, 49c; China, 49c; Japan, 47c; Norway, 49c; Austria, 48c; Finland, 49c. **Newsprint in Ream**—31" x 43": Europe, 50/52 gr, 50-lb ream, 27 ream; Japan, 50 gr, 48-lb ream, \$24.50; China, 50 gr, 48/50-lb ream, \$27. **Duplex Board**—Czechoslovakia, 230 gr, 220-lb ream, 31" x 43", one side coated, \$136 ream. **Chip Board**—Norway, 250 gr, 240-lb ream, 31" x 43", one side coated, \$130 ream. **Art Printing**—UK, 31" x 43", one side coated, 90 gr, 85-lb ream, \$97 ream. Japan: 88 gr, 85-lb ream, \$79; 90 gr, 85-lb ream, \$79. **Aluminum Foil**—UK, 4-1/2" x 6-3/4", thin, \$2.50 per lb. UK, 50 gr, 28-lb ream, 20" x 26", thick, golden colour, \$87 ream. **Flint**—UK, coloured, 60/65 gr, 28-lb ream, 20" x 30", \$37 ream. China, 31-lb ream, \$34.50 ream. **Glassine**—White Europe, 30 gr, 26-lb ream, 30" x 40", \$34.50 ream. Coloured, Europe, similar quality, \$42. **Grease Proof**—Sweden, 40 gr, 34-lb ream, 30" x 40", \$28.50 ream.

PHARMACEUTICALS

Penicillin Ointment—UK, 1957, \$5 to \$6 per doz 1-oz tubes of 2,000 units.
Penicillin Oral Tablets—UK, 1960, \$1 per 12-tablet carton of 50,000 units per tablet.
Penicillin G Procaine in Oil—300,000 units per cc and expiration date 1960; UK, \$1.35 per 10-cc vial; US, \$2.45; France, \$1.60.
Dihydrostreptomycin—UK, 1960, 63c to 83c per vial of 1 gram. US, 1960, 90c. France, 1961, 67c. Japan, 1961, 66c.
Sulfadiazine Powder—Australia, \$25 per lb. France, \$26. UK, \$24. Germany, \$24.
Sulfaguanidine Powder—UK, \$7.65 lb. France, \$7.60. Italy, \$7.50.
Sulfathiazole Powder—Italy, \$10.40 lb. UK, \$10.70. Germany, \$10.50.
Quinine Powder—Q. Ethylcarbonate, Holland, \$2.80 per 1-oz carton. Q. Sulphate, Holland, \$140 per 100-oz tin. Q. HCl, Holland, \$195 per 100-oz tin.
Isoniazide Tablet—UK, \$2.75 per box of 100 tablets of 50 mg each. Germany, \$2.15 per bot of 100's x 50 mg. Switzerland, \$2.50 per bot of 100's x 50 mg.
PAS Powder—France, \$5.10 per 250-gram tin. Italy, \$14 per kilo.
Aspirin Powder—UK, \$3.30 lb. Germany, \$3.25.
Amidopyrin—France, \$19.50 lb. Germany, \$19.40.
Antipyrin—Germany, \$10.40 lb. France, \$10.50.
Caffeine Alkaloid—Germany, \$12.90 lb. Holland, \$18. France, \$14.
Phenacetin—UK, crystal form, \$4.90 per lb. Germany, \$4.85.
Saccharum Lactose—UK, \$1.04 lb. Holland, \$1. New Zealand, \$1.
Santonin—UK, \$13 per bot of 1 oz. Japan, forward, £35 per kilo cif HK.
Vitamin B1 Powder—Germany, \$235 per 1-kilo tin. France, \$232. Japan, \$230.

INDUSTRIAL CHEMICALS

Acetic Acid (78/80%)—Germany, 25-kilo carboy, 75c lb. **Cresylic Acid**—UK, 448-lb drum, 75c lb. **Sulphuric Acid**—HK, 750-lb drum, 26c lb. **Bicarbonate of Soda** (refined)—China, \$21 per 50-kilo bag. UK, \$47.50 per 100-kilo bag. **Calcium Hypochlorite**—Japan, 60%, 50-kilo drum, 60c lb. **Caustic Soda**—China, \$120 per 200-kilo drum. UK, \$225 per 340-kilo drum. **Chlorate of Potash**—France, 1-cwt, 80c lb. Switzerland, 100-kilo drum, 82c. UK, 50-kilo case, 80c. **Formalin**—UK, 38c lb. **Gum Arabic**—Sudan, 100-kilo bag, \$1.15 lb. **Gum Copal**—Malaya,

No. 1, 140-catty gunny bag, \$220 per picul. **Gum Damar**—Malaya, No. 1, 140-catty gunny bag, \$300 picul. **Lithopone (30%)**—Holland, 50-kilo paper bag, 39c lb. Germany, 50-kilo paper bag, 39c. Italy, 25-kilo paper bag, 36c. **Petrolatum (amber)**—Holland, 400-lb drum, 33c lb. Germany, 180-kilo drum, 30c. US, 377-lb drum, 40c. **Polyvinylchloride Compound**—HK, 50-lb paper bag, \$2.10 lb. **Potassium Bichromate** (granular)—Australia, 6-cwt barrel, 97c lb. Germany, 560-lb barrel, 97c. **Shellac (lemon)**—India, No. 1, 164-lb case, \$260 per picul. **Soda Ash**—China, 80-kilo bag, \$28 per bag. UK, dense, \$36.50 per 100-kilo bag; light, \$30.50 per 70-kilo bag. **Sodium Cyanide**—UK, 50-kilo drum, \$1.15 lb. **Sodium Hydrosulphite**—UK, 50-kilo drum, \$175 per picul. **Sodium Nitrate**—Germany, 50-kilo gunny bag, \$28 picul. **Sodium Sulphide**—China, 160-kilo drum, \$600 per ton. **Tanning Extract**—Mimosa Extract, 105-lb bag, 52c lb. Quebracho, 105-lb bag, 72c. **Ultramarine Blue**—Italy, 1-cwt barrel, \$110 picul. Holland, 50-kilo barrel, \$92 picul. **Zinc Oxide (99%)**—China, 50-kilo gunny bag, 73c lb. Holland, 82c. Germany, 81c. South Africa, 85c.

COTTON YARN

Hongkong Brands—10 Counts, \$860 to \$960 per bale; 12's, \$900 to \$1,000; 20's, \$1,000 to \$1,140; 30's, \$1,380 to \$1,440; 32's, \$1,400 to \$1,730; 40's, \$1,500 to \$1,830; 42's, \$1,640 to \$1,680 per bale. **Japanese Brands**—32's, \$1,400 to \$1,420; 40's, \$1,500 to \$1,540; 42's, \$1,620 to \$1,640. **Pakistan Brands**—10's, \$835 to \$870; 20's, \$885 to \$955; 32's, \$1,170 to \$1,270.

COTTON PIECE GOODS

Grey Sheeting—China: 63 x 64, 36" x 40 yds, \$35.20 pc; 72 x 69, 38" x 40½ yds, \$33.60; 60 x 60, 36" x 40 yds, \$34. Hongkong, 60 x 56, 36" x 40 yds, \$36 to \$37.50 pc. Japanese, 72 x 69, 38" x 40½ yds, \$33.80 pc. **Grey Jean**—China, \$30.50. HK, 84 x 48, 30" x 40 yds, \$30 pc. **Dyed Drill**—36" x 40 yds, 118 x 56, \$1.70 to \$2.50 per yd. **White Cloth**—Japan: No. 16000, \$48 pc; No. 10000, \$47; No. 5050, \$43.50; No. 17000, \$46. **Shirting**—Japan, 36", \$1.30 to \$1.46 per yd.

RICE

White Rice, 100% Whole—Thailand, old, 1st, \$59.30 picul. **White Rice**—Thailand: special, 3%, new crop, \$52.30; A 5%, 1st, \$50.90; B 10%, 1st, \$47.70; C 15%, 1st, \$45.10; E 25%, new, \$42.80. Cambodia: 1st, \$49.30; 2nd, \$46.50. North Vietnam, \$46.50. Canton: 1st, \$50.40; 2nd, \$46.50. Burma, old, \$34.50. **Broken Rice**—Thailand: B-1 special, old, \$37.80; C-1 old, \$30.80. North Vietnam, \$30.80. **Glutinous Rice**—Thailand, 2nd grade, \$40.50.

WHEAT FLOUR

Australian Brands—\$39 per 150-lb gunny bag and \$13.50 per 50-lb bag. **American Brands**—\$29 per 100-lb bag and \$17.50 to \$17.80 per 50-lb bag. **Canadian Brands**—\$38 per 100-lb bag and \$17.50 per 50-lb bag. **HK Brands**—\$35.80 per 150-lb bag and \$13 to \$17.50 per 50-lb bag.

SUGAR

Granulated Sugar—Taiwan, refined: No. 24, \$64 picul; No. 18, \$59.50. **Tai-koo**: fine, \$66.30; ordinary, \$64; fine B, \$64.10. **Philippine**, brown, \$59.50. **Brown Slab Sugar**—HK: 1st, \$55.50; 2nd, \$52. **Candy Sugar**—HK, 2nd, \$72. **Green Sugar**—Taiwan: 1st, \$38; 2nd, \$37.

CEMENT

Green Island Products—Emeralcrete, rapid hardening, \$7.90 per 112-lb bag. Emerald: \$7.20 per 112-lb bag; \$6.30 per 100-lb bag. **Snowcrete**, white cement: \$69.50 per 375-lb drum; \$16.50 per 1-cwt bag. **Chinese Brands**—\$118.80 per metric ton, cif HK ex-ship packed in 45-kilo bags; retail price, \$5.60 per bag. **Japanese Brands**—\$5.80 per 100-lb bag; \$120 per ton ex-ship.

GUNNY BAG

Heavy Cees—43" x 29", 2½-lb with a 2" green stripe, Indian product, \$1.68 pc. **Used Gunny Bag**—2½-lb, 3 blue stripes, \$1.22 pc.